

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance and Deputy Premier

Date Required: January 23, 2018
Date Prepared: January 19, 2018

Initiated by: Jim Hopkins
Assistant Deputy Minister
Provincial Treasury

Phone Number: 250 387-9295
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Ministry Contact: Sam Myers
Executive Director
Debt Management Branch

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363749

TITLE: April 2018 North American Investor Tour

PURPOSE:

(X) DECISION REQUIRED

ISSUE:

The Minister's participation in investor tours promotes and markets BC as a good place to invest. Refreshing BC's credit story with investors ensures they understand the difference between the province and other sub-sovereign issuers and helps attain the lowest cost of funding when the province issues bonds in Canada and offshore.

This briefing note presents optional itineraries for the post-Budget investor tour in April 2018.

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: January 19, 2018

TITLE: April 2018 North American Investor Tour

BACKGROUND:

The primary purpose of the 2018 investor tour will be for you to continue fostering your relationships with domestic and US investors and ensure they hear the key objectives of the province's fiscal plan from you and why government believes they can be met and its resolve to ensure delivery.

During the investor tour, you will be asked to review the province's economic and fiscal situation with senior members of the province's domestic and international syndicates and institutional investors who hold, or are considering buying, Province of BC securities. The Minister-lead tour has typically followed the Budget and has in the past included meetings in cities such as Vancouver, Toronto, Montreal, New York, Washington, Boston, Chicago and Winnipeg.

DISCUSSION:

High-level preliminary itineraries for the April 2018 investor tour are presented below. We recommend the timing to take place immediately after Easter as this will be when the Legislature is not sitting. We are presenting three options for the upcoming tour which would include cities with strong investor demand (Toronto and Montreal) as well as the following cities: Boston, Chicago and Winnipeg. We feel it is important to include at least one of the above US cities in April 2018 as they were not covered in the October 2017 Investor Tour.

Option 1:

MONDAY April 2	TUESDAY April 3	WEDNESDAY April 4	THURSDAY April 5	FRIDAY April 6	FRIDAY April 13
Boston	Montreal	Toronto	Toronto	Winnipeg	Vancouver
Beginning of Tour	Investor Meetings	Investor Meetings	Investor Meetings	Investor Meetings	Fly to Vancouver
Investor Meetings	Investor Luncheon	Investor Luncheon	Media Session	Investor Luncheon	Investor Luncheon
Fly to Montreal	Fly to Toronto	Street Reception	Fly to Winnipeg	Return to Victoria	Return to Victoria
Dinner with Host Dealer		Dinner with Host Dealer			

Option 2:

MONDAY April 2	TUESDAY April 3	WEDNESDAY April 4	THURSDAY April 5	FRIDAY April 6	FRIDAY April 13
New York	Boston	Montreal	Toronto	Toronto	Vancouver
Beginning of Tour	Investor Meetings	Investor Meetings	Investor Meetings	Investor Meetings	Fly to Vancouver
Syndicate breakfast					
Investor Meetings	Investor Luncheon	Investor Luncheon	Investor Luncheon	Media Session	Investor Luncheon
Possible Meeting with Consul General					
Fly to Boston	Fly to Montreal	Fly to Toronto	Investor Meetings	Return to Victoria	Return to Victoria
Dinner with Host Dealer	Dinner with Host Dealer		Street Reception		
			Dinner with Host Dealer		

Option 3:

MONDAY April 2	TUESDAY April 3	WEDNESDAY April 4	THURSDAY April 5	FRIDAY April 6	FRIDAY April 13
Chicago	Boston	Montreal	Toronto	Toronto	Vancouver
Beginning of Tour	Investor Meetings	Investor Meetings	Investor Meetings	Investor Meetings	Fly to Vancouver
Investor Meetings	Investor Luncheon	Investor Luncheon	Investor Luncheon	Media Session	Investor Luncheon
Investor lunch					
Fly to Boston	Fly to Montreal	Fly to Toronto	Investor Meetings	Return to Victoria	Return to Victoria
	Dinner with Host Dealer		Street Reception		
			Dinner with Host Dealer		

As the October 2017 IR tour included meetings in New York, it is not essential to include New York in April 2018. Further, each Fall, Bloomberg holds a conference in New York on Canada's Fixed Income Market and it is an event that has been attended by several provincial Finance Ministers. The New York conference is well attended by investors and gets good coverage through the Bloomberg media outlet. The conference also offers opportunities for one-on-one investor meetings during the conference or onsite with investors. This year's Bloomberg conference is on October 2 and your attendance would be very welcome. If you are unable to attend the Bloomberg conference, Provincial Treasury staff would participate and would arrange one-on-one investor meetings as has been done in the past.

We recommend Chicago and /or Boston as two major US financial centers with significant investors who have been buyers of the province in the US dollar, Euro and Masala bond markets; a minister of finance last visited Chicago in 2015 and Boston in 2016. Refreshing investors on the province's economic and fiscal situation would strategically support the province's expected offshore borrowing activity next fiscal year.

We suggest Winnipeg as a strong regional investor center which past ministers have visited and received a favourable welcome for the benefit of the province's borrowing program, s.13

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RECOMMENDATION:

We recommend the Minister participate in the April 2018 tour with Option 1 or 3 being our preferred choices. Your decision on who will accompany you on the tour is also requested.

option 3
APPROVED / NOT APPROVED

Carole James

Carole James
Minister

Jan. 30 / 2018

Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James Minister of Finance	Date Requested: February 9, 2018 Date Required: February 14, 2018
Initiated by: Jim Hopkins Assistant Deputy Minister Provincial Treasury	Date Prepared: February 13, 2018 Phone Number: 250 387-9295 Email: Jim.Hopkins@gov.bc.ca
Ministry Contact: Sam Myers Executive Director Debt Management Branch Provincial Treasury	Phone Number: 778 698-5908 Email: Sam.Myers@gov.bc.ca 364532

TITLE: February 2018 Budget Dinner

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

February 2018 Budget Dinner, February 22, 2018
Reception at 5:45 pm for dinner at 6:00 pm at s.15
s.15 Dinner will conclude by 8:30 pm.

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: February 13, 2018

TITLE: February 2018 Budget Dinner

BACKGROUND:

It is customary for the Minister of Finance to attend a dinner meeting on the evening of Budget day or shortly thereafter. The dinner meeting is attended by senior ministry officials and representatives of the domestic and international investment banking community.

The Budget dinner is intended to be a relatively informal event which will provide an opportunity to discuss highlights of the Budget with investment bankers with whom the province has important syndicate relationships.

The investment dealers in the province's domestic and international syndicates have shown considerable interest in having an opportunity to discuss the budget, future borrowing and investor relations opportunities, and the government's fiscal and economic plans. It is important to have the syndicates well versed since the province will rely upon their expertise and sales capabilities to sell Province of British Columbia securities in the domestic and international capital markets.

This year, the dinner meeting is planned for the evening of Thursday, February 22, 2018, and we have booked your calendar – Lori Wanamaker, David Galbraith and Jim Hopkins along with other Ministry staff will also attend from the province. The dinner will be held at the s.15 Mr. Mark Hadden, Managing Director & Head of Government Finance at Scotiabank will host the dinner meeting on behalf of the investment bankers.

Provincial Representatives:

- Honourable Carole James, Minister of Finance and Deputy Premier
- Ms. Robyn Spilker, Ministerial Assistant, Minister's Office
- Mr. Rob Gillezeau, Ministerial Assistant, Minister's Office
- Ms. Lori Wanamaker, Deputy Minister, Ministry of Finance
- Mr. David Galbraith, Associate Deputy Minister & Secretary to Treasury Board
- Ms. Heather Wood, Assistant Deputy Minister, Policy & Legislation
- Mr. Jim Hopkins, Assistant Deputy Minister, Provincial Treasury
- Mr. Dave Riley, Executive Director, Fiscal Planning
- Ms. Sadaf Mirza, Chief Economist, Economic Forecasting & Analysis
- Mr. Sam Myers, Executive Director, Debt Management Branch
- Mr. Jason Lewis, Director, Capital Markets, Debt Management Branch
- Mr. Greg Horan, Portfolio Manager, International Financing & Derivatives
- Ms. Jacqueline Rawluk, Portfolio Manager, Strategic Initiatives
- Mr. Dean Wingerter, Portfolio Manager, Domestic Financing
- Mr. Frank Cholette, Director, Risk & Performance Management

Investment Bank Representatives:

Representatives from the leading firms which facilitate the province's financing activities in the domestic and international capital markets will be in attendance.

Canadian Domestic Market

- RBC Capital Markets – Mr. Kevin Martin, Director, Government Finance, Toronto
- BMO Capital Markets – Mr. Olivier Ruta, Director, Government Finance, Toronto
- TD Securities – Mr. Trevor Thom, Managing Director & Group Head, Government Finance, Toronto
- CIBC World Markets – Mr. Doug Bartlett, Vice-Chair & Head, Government Finance, Toronto (tentative)
- National Bank Financial – Mr. Hugh Stuart, Vice President, Government Finance, Toronto
- Scotia Capital – Mr. Mark Hadden, Managing Director & Head of Government Finance

U.S. Dollar and Other International Markets

- Bank of America/Merrill Lynch – Mr. Matthew Margulies, Associate, Canadian Debt Syndication, Toronto
- HSBC – Mr. Andrew Salvoni, Government Finance, Toronto
- Bank of China (Canada) – Ms. Jennifer Gua, Senior Vice President, Vancouver
- Societe Generale – Mr. Michel Hurtubise, Managing Director, Calgary
- Credit Agricole – Ms. Myriam Zapata, Executive Director, SSA Debt Capital Markets, London, UK

Brief descriptions of each firm and the nature of its relationship with the province are attached (Appendix A).

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- Mr. Mark Hadden, Managing Director & Head of Government Finance at Scotiabank is hosting the dinner this year and will make some opening comments to the table and then turn it over to you to make a few informal remarks to highlight the challenges addressed by the budget and key themes. The syndicate members will also be interested in the government's commitment to meeting the fiscal plan targets in the three year plan.
- Following your remarks, the host will turn it over to the participants for questions and discussion.
- See Appendix B for key messages you may wish to deliver.

Appendix A

PROFILES OF SELECTED INVESTMENT DEALERS AND BANKS

TD SECURITIES

- TD Securities Inc. provides investment banking and capital market services to corporate, government and institutional customers worldwide. Part of the TD Bank Group, the dealer employs 3,800 people in 13 offices around the world.
- The firm is a manager in the province's domestic syndicate and is a member of the province's promissory note program and U.S. commercial paper program. The firm has consistently ranked number 1 in the province's domestic syndicate evaluation.
- TD Securities remains a significant presence in the USD Global and European non-euro bond markets and the Australian and New Zealand bond markets. In 2014, TD jointly led the province's debut bond issue in the Australian bond market.
- TD Securities was joint-lead on the province's inaugural Indian Rupee 'Masala' bond in 2016.

RBC CAPITAL MARKETS

- RBC Capital Markets (RBC CM) is the wholly-owned dealer subsidiary of Royal Bank of Canada, with over 7,200 employees operating out of 70 offices in 15 countries around the world. It is Canada's largest investment dealer.
- The firm has a long-established and important relationship with the province. RBC CM is a manager in the province's domestic syndicate. The firm is also a member of the province's Canadian Promissory Note Program and the U.S. Commercial Paper Program.
- RBC CM is prominent in the U.S. dollar global and euro-bond markets as well as emerging market bond markets and the Australian and New Zealand bond markets. It is very prominent in the Sterling market and is increasing its activities in the euro. It has large operations in London and New York, as well as Toronto.
- In 2014, RBC CM jointly led the province's debut bond issue in the Australian bond market. In 2015, the firm was joint lead on the province's debut public Euro bond issue.
- In 2016, RBC was joint lead on the province's USD Global bond issue (10-year, USD 750 million).

- RBC CM facilitated very meaningful Investor relations discussions with a particular European-based Insurance company s.17 in late-2016. This led to the execution of Euro 150 million 20-yr private placement for British Columbia with this investor in January 2017. RBC CM also s.17 s.17

BMO CAPITAL MARKETS

- BMO Capital Markets (BMO CM) is the North American-based investment and corporate banking arm of BMO Financial Group. The firm employs approximately 2,400 individuals in 30 locations worldwide.
- BMO CM is a manager in the province's domestic syndicate and a member of the province's Canadian Promissory Note Program. They have provided additional service as the Issuing and Paying Agent for British Columbia's promissory note program. This service will be transitioned to TD Securities in fiscal 2018/2019.
- The firm was the only Canadian bank authorized to participate in the province's Panda bond in January, 2016.
- BMO CM was a joint-lead in the province's most recent U.S. dollar bond issue: a US\$750 million 10yr benchmark launched in May 2016.
- BMO was helpful ins.17 s.17

SCOTIABANK GLOBAL CAPITAL MARKETS

- Scotiabank Global Capital Markets (Scotia) represents the global corporate, investment banking, and capital markets businesses of the Scotiabank Group. SGCM has 30 offices and 3,000 employees worldwide.
- The firm is in the management group in the province's domestic underwriting syndicate and is a member of the province's Canadian Promissory Note Program.
- The firm has an active trading program for provincial U.S. dollar bonds in New York City and provides regular market coverage as well.
- The firm underwrote the green bond issued by Tandem Health Partners to finance the province's North Island Hospitals Project; this was the first PPP green bond issued to finance a social infrastructure project in North America.
- In 2016, Scotia was the sole agent of BCEURO-4, a Euro 100 million 27-year issue, s.17

- Scotia was also a lead managers^{s.17} for an Australian dollar denominated bond launched by the province in August 2016. The size of the issue was A\$ 100 million, or CAD 98 million.
- Scotia participated in a co-manager role in the province's inaugural Masala issuance in September 2016.
- In March 2017, Scotia was a lead in a 70 million Australian dollar re-opening of BCAUD-2, a ten-year issue. The firm also^{s.17}

CIBC WORLD MARKETS

- CIBC World Markets (CIBC WM) is the investment banking subsidiary of the Canadian Imperial Bank of Commerce. It employs approximately 1,300 people worldwide.
- The firm is in the management group of the province's domestic syndicate and is a member of the province's Canadian Promissory Note Program.
- In 2003, CIBC WM was the first Canadian dealer to jointly lead a BC global U.S. dollar issue.
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NATIONAL BANK FINANCIAL

- National Bank Financial (NBF), a subsidiary of National Bank Canada, has a presence in all regions of Canada, but retains a strong connection in Quebec and is the sole lead manager on all domestic Quebec public issues. NBF has 2,700 employees in 86 branches across the country.
- NBF is a manager in the province's domestic syndicate, and is a member of the province's Canadian Promissory Note Program.
- NBF maintains a trading group in New York which has an effective presence in the Provincial U.S. dollar bond market. The firm provides regular market coverage of the U.S. market out of this office.
- NBF was the co-lead underwriter for the green bond issued by Tandem Health Partners to finance the province's North Island Hospitals Project; this was the first PPP green bond issued to finance a social infrastructure project in North America.

- National was a joint-lead manager on the province's most recent U.S. dollar global bond issue, BCUSG-9, launched in May of 2016.

BANK OF AMERICA/MERRILL LYNCH INC.

- Bank of America Merrill Lynch (BAML) is the corporate and investment banking division of Bank of America. Bank of America has 260,000 employees with offices in 40 countries. The firm has jointly led each of the province's U.S. dollar global bonds in 2008 and in 2015 and was also the joint lead on the Province's debut public Euro issue.
- BofAML Canada Inc. (MLC) is a member of the Province's domestic syndicate serving as a senior underwriter among the non-managers.
- From the province's perspective, the firm does not have a presence in the Canadian swap market.

HSBC BANK CANADA

- HSBC Bank is a member of HSBC Holdings plc – an international financial services organization with more than 284,000 employees in 9,500 offices in 85 countries and territories.
- HSBC Bank Canada, headquartered in BC, is the seventh largest bank in Canada and the largest foreign-owned one, with more than 6,000 employees.
- HSBC Securities is a member of the province's domestic bond syndicate as a banking group member and has entered into a ISDA agreement with the province allowing them to be a counterparty on derivatives with the province.
- HSBC was a lead manager on the province's most recent U.S. dollar global bond issue launched in May of 2016. In 2015, HSBC was joint lead on the province's public debut Euro bond issue.
- HSBC was the sole lead manager on the province's inaugural Chinese renminbi issue in November 2013, and was a co-manager on the province's second renminbi deal in 2014. The firm jointly led the province's Panda bond issues in January 2016 and November 2017.
- HSBC was joint-lead on the province's inaugural Indian Rupee 'Masala' bond in 2016, and facilitated the Matched-Book investment into HDFC bonds.

BANK OF CHINA

- Bank of China (Canada) is a wholly owned subsidiary of Bank of China Limited. It is a Schedule 2 bank, headquartered in Ontario with three branches in Vancouver.
- The Bank of China was a co-manager for the province's second renminbi deal launched in 2014. Proceeds from the issue were deposited to a Bank of China account in Hong Kong. The firm was book runner and jointly led the province's Panda bond in the domestic Chinese market in January 2016 and November 2017, and has provided the province with strong support in this market.

SOCIETE GENERALE

- SocGen is one of the leading financial services groups in Europe. The firm employs over 148,000 people in 76 countries. The bank's presence in Canada is based in Montreal.
- The firm has covered the province fairly consistently over the years, leading with its primary expertise in the Euro Market. In 2014, the firm supported Ministry of Finance's officials on an investor tour through Continental Europe.
- In 2016, Societe Generale was the sole agent of BCEURO-5, a Euro 250 million 16-year issue.

CREDIT AGRICOLE

- Headquartered in Montrouge, France, the Credit Agricole Group is France's largest bank, and one of the largest banks in Europe. It has over 70,000 employees and 11,100 branches (9,000 in France) in nine countries.
- It has five main business lines: French retail banking, international retail banking, asset management and insurance, specialized financial services, and corporate and investment banking.
- s.13

Appendix B

KEY MESSAGES

Welcome to Victoria and thank you for joining this Budget Dinner which has a long tradition in BC's Ministry of Finance.

I will be very interested to hear your impressions of the government's Budget, how you expect the markets may react and any advice on how we can best position our financing program next year.

Budget 2018 confirms government's commitment to fiscal prudence and fair governance, focusing on:

- Protecting essential health care, education and social services;
- Maintaining balanced budgets;
- Continuance of spending discipline and affordable public sector wage settlements;
- Forecast allowances and contingencies included in the three year plan;
- Retention of fiscal management flexibility while leveraging strong fiscal performance to afford delivery of fair, affordable and improved services to all British Columbians;
- Building a strong, sustainable and innovative economy;
- Economic forecast is below the private sector average;
- Retaining one of the lowest overall tax burdens in Canada;
- An affordable debt burden in keeping with a AAA credit rating; and
- BC is still the only province rated triple-A by each of the international credit rating agencies.

We expect BC to continue to be one of the top economic performers in Canada thanks in part to our AAA credit rating.

BC remains well-positioned for continued growth given its mature and diversified economy, including its export markets. BC's offshore export markets are more diversified than other Canadian jurisdictions.

The 2018/19 borrowing requirement will be manageable given BC's access to the domestic and international capital markets.

We are committed to meet our fiscal targets and will leverage our rating to manage a successful financing program.

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Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance

Date Requested: December 21, 2017
Date Required: January 12, 2018

Initiated by: Heather Wood
Assistant Deputy Minister
Policy and Legislation Division

Date Prepared: January 4, 2018

Ministry Contact: Timothy Prisiak
A/Director, Securities
Financial and Corporate Sector
Policy Branch

Phone Number: 778 698-5268
Email: Tim.Prisiak@gov.bc.ca

Cliff #: 363363

TITLE: Amendments to the *Securities Act* to Improve Fine Enforcement for
Self-Regulatory Organizations (SROs)

PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: January 4, 2018

TITLE: Amendments to the *Securities Act* to Improve Fine Enforcement for Self-Regulatory Organizations (SROs)

ISSUE: Scope and Process for Legislative Amendments to the *Securities Act* to Improve Fine Enforcement for SROs

BACKGROUND:

- In CLIFF 359448 (attached), approved on December 18, 2017, you approved a decision note to proceed with a legislative amendment to provide the Investment Industry Regulatory Organization of Canada (IIROC) with the power to enforce their fines as an order of the court. One implication resulting from this decision is whether to extend fine enforcement to the Mutual Fund Dealers Association (MFDA).
- The MFDA is another SRO in the securities industry. Similar to IIROC, the MFDA is responsible for regulating the operations, standards of practice and business conduct of its members and their representatives (mutual fund dealer firms and representatives) with a view to enhancing investor protection and strengthening public confidence in the Canadian mutual fund industry.

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DISCUSSION:

- A. Scope – Whether or not to include the MFDA in the legislative amendment to improve fine enforcement.**

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Ministry of Finance
BRIEFING DOCUMENT

To: Carole James
Minister of Finance and
Deputy Premier

Date Requested:
Date Required:

Initiated by: Heather Wood
Assistant Deputy Minister
Policy and Legislation

Date Prepared: Jan. 31, 2018

Ministry Contact: Kari Toovey
A/Executive Director
Strategic Initiatives Branch

Phone Number: 778-698-5262
Email: kari.toovey@gov.bc.ca

Cliff #: 363809

TITLE: Order in Council to update capital requirements for life insurers

PURPOSE:
(X) DECISION REQUIRED

COMMENTS:
s.12,s.13

Executive Director approval: _____

ADM approval: _____

DM approval: _____

DATE PREPARED: Jan. 31, 2018

TITLE: Order in Council to update capital requirements for life insurers

ISSUE: Regulatory amendment needed to update the Capital Requirements Regulation (CRR) for BC-incorporated life insurance companies

BACKGROUND:

- As most insurance companies in BC are federally-incorporated, the provincial capital requirements for insurers are based on the guidelines issued by the federal regulator (Office of the Superintendent of Financial Institutions [OSFI]).
- Currently, the CRR specifies that BC-incorporated life insurance companies must hold 120% of the minimum adequate capital base determined in accordance with the federal Minimum Continuing Capital and Surplus Requirements for Life Insurance Companies (MCCSR) guidelines.
- Effective January 1st, 2018, OSFI replaced the MCCSR guidelines with the Life Insurance Capital Adequacy Test Guideline (LICAT Guideline).
- In November of 2017, the Financial Institutions Commission (FICOM) notified BC-incorporated life insurance companies that the LICAT Guideline would replace the MCCSR guidelines, effective January 1, 2018. The intention is that capital requirements for BC-incorporated life insurance companies will remain consistent with those that apply to federally-incorporated life insurance companies.

DISCUSSION:

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OPTIONS:

s.12,s.13

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APPROVED / NOT APPROVED

Carole James
Minister and Deputy Premier

Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: Dec. 12, 2017

Initiated by: Lori Wanamaker
Deputy Minister

Date Prepared: Dec. 12, 2017

Ministry Contact: David Karp
Director, Income Tax
Tax Policy Branch

Phone Number: 778-698-5778
Email: David.Karp@gov.bc.ca

Cliff#: 362919

TITLE: International Business Activity Regulation

PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: December 12, 2017

TITLE: International Business Activity Regulation

ISSUE: This Order in Council is required to eliminate the international business activity program, as announced in *Budget 2017 Update*.

BACKGROUND:

This Order in Council (OIC) amends the International Business Activity Regulation, consequential to the elimination of the international business activity program, as announced in *Budget 2017 Update*.

DISCUSSION:

The international business activity program refunds the BC income taxes paid by corporations that conduct international business from BC. In *Budget 2017 Update*, the government announced it would eliminate the program effective September 12, 2017. Legislation to eliminate the program received Royal Assent this fall as part of the *Budget Measures Implementation Act, 2017*.

A technical amendment is required to the International Business Activity Regulation in order for the refund to function as intended for 2017. Specifically, the International Business Activity Regulation contains a definition of "qualifying financial business." In order to be considered a qualifying financial business, a business that is affiliated with, or not at arm's length from another corporation, that carries on business must pay salaries to BC employees of at least \$300,000 each year.

Because the program is eliminated on September 12, 2017, this OIC amends the International Business Activity Regulation to specify that only wages paid before September 12, 2017 can be used to meet the salary test, and that the \$300,000 threshold is prorated based on the number of days in the corporation's tax year that are before September 12, 2017. For example, a business with a tax year that started January 1, 2017 would normally need to pay \$300,000 in salary by December 31, 2017 to meet the salary test and qualify for a tax refund. However, this OIC would change the rule so that the business would need to pay \$208,767 of salary between January 1, 2017 and September 11, 2017 to meet the salary test and qualify for a tax refund.

REGULATORY CRITERIA EXEMPTION:

The OIC has no impact on regulatory requirements.

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RECOMMENDATION:

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APPROVED / NOT APPROVED

Carole James
Minister and Deputy Premier

Date

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Carole James
Minister of Finance
and Deputy Premier

Date Requested: January 26, 2018
Date Required: January 26, 2018

Initiated by: Paul Flanagan
Executive Director
Tax Policy Branch

Date Prepared: January 26, 2018

Ministry Contact: Andrew Avis
Strategic Advisor
Tax Policy Branch

Phone Number: 778-698-5669
Email: andrew.avis@gov.bc.ca

Cliff #: 363926

TITLE: Payroll Tax in BC

PURPOSE:

(X) FOR DECISION

COMMENTS: In order to implement a payroll tax, decisions are required regarding the rate, design and any tax relief.

DATE PREPARED: January 26, 2018

TITLE: BC Payroll Tax

ISSUE: The design decisions for a BC payroll tax

BACKGROUND:

As part of Budget 2018, the government will announce the creation of a new BC payroll tax in BC to take effect on January 1, 2019. In order to have the legislation in place for the tax to be effective on January 1, 2019, s.13

DISCUSSION:

Currently, Manitoba, Ontario, Quebec and Newfoundland and Labrador are the only Canadian provinces with payroll taxes. Descriptions of each payroll tax can be found in Appendix 2.

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The BC payroll tax would apply to the employer's total payroll. This is in contrast to the Canada Pension Plan and the Employment Insurance, which both have yearly maximum contributions (maximum salary of \$55,300 and \$51,300 respectively in 2017).

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1. The rate of tax

Ontario has the lowest payroll tax rate at 1.95 per cent of payroll, followed by Newfoundland and Labrador at 2 per cent and Manitoba at 2.15 per cent. Quebec's payroll tax starts at 2.3 per cent for companies with payroll less than \$1 million and increases gradually thereafter. Once the Quebec employer has payroll exceeding \$5 million, the employer is subject to the maximum tax rate of 4.26 per cent.

2. A small business threshold

A small business threshold operates by exempting employers from the payroll tax when their payrolls are less than the threshold amount. Once an employer's payrolls exceed the threshold, their entire payroll is subject to the tax. Based on Statistic Canada data, average annual employee earnings in BC is about \$42,000. As such, an employer with 10 employees would have a total annual payroll of \$420,000.

In Manitoba and Newfoundland and Labrador, employers below a threshold of \$1.25 million and \$1.2 million respectively are not subject to the payroll tax.

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Unlike a small business threshold, an exemption/deduction allows employers to deduct a set amount from their payroll before applying the tax. For employers with payroll less than the exemption/deduction, the effect is the same as being below the small business threshold.

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APPROVED / NOT APPROVED

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Carole James
Minister and Deputy Premier

Date

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Appendix 2: Overview of Provincial Payroll Taxes

	Manitoba	Ontario	Quebec	Newfoundland and Labrador
Name	Health and Post-Secondary Education Tax Levy	Employer Health Tax	Health Services Fund	Health and Post-Secondary Education Tax
Rate (highest if progressive)	2.15% of total remuneration	1.95% of total remuneration	4.26% of total remuneration	2% of total remuneration
Exemptions or lower rates	Employers with total remuneration less than \$1.25 million in the year are exempt from the tax	Employers with total remuneration less than \$5 million can receive a deduction of up to \$450,000 of remuneration from the tax	Progressive rates: 2.30% if payroll is less than \$1 million 4.26% if payroll is greater than \$5million. Rate calculated by formula for payrolls in between.	Employers with total remuneration less than \$1.2 million are exempt from the tax.