

## Ministry of Finance

## BRIEFING DOCUMENT

**To:** Honourable Carole James  
Minister of Finance  
and Deputy Premier

**Date Requested:** August 27, 2018  
**Date Required:** August 27, 2018

**Initiated by:** Jordan Goss  
Assistant Deputy Minister  
Revenue Division

**Date Prepared:** August 24, 2018

**Ministry Contact:** Jordan Goss  
Assistant Deputy Minister  
Revenue Division

**Phone Number:** 778 698-4093  
**Email:** Jordan.goss@gov.bc.ca

**Cliff #:** 372659

---

**TITLE:** Fees Proposed by the Land Title and Survey Authority in Respect of the  
Condo Strata Assignment Integrity Register

---

---

**PURPOSE: FOR DECISION**

---

**COMMENTS:**

- The Land Title and Survey Authority (LTSA) will be implementing and operating the Condo Strata Assignment Integrity Register (CSAIR) on behalf of Government.
- The CSAIR will fulfil Government's commitment to develop a database of pre-sale condominium assignments under *Homes for B.C. – A 30-Point Plan for Housing Affordability in British Columbia*.
- The obligation for property developers to provide information to government in respect of condominium assignments will be under the *Real Estate Development Marketing Act* (REDMA) when legislative amendments are brought into force by regulation (expected January 1, 2019).
- To cover the costs of implementation and operating the CSAIR, LTSA is planning to bring a fee proposal to the LTSA Board on September 6<sup>th</sup>, 2018 for approval.
- LTSA would like the support of the Minister of Finance for a fee.

**DATE PREPARED:** August 24, 2018

**TITLE:** Fees Proposed by the Land Title and Survey Authority in Respect of the Condo Strata Assignment Integrity Register

**ISSUE:** LTSA would like the Minister of Finance's support for the fee proposal

**BACKGROUND:**

The LTSA is a statutory corporation created under the *Land Title Survey Authority Act* governed by an Operating Agreement with Government to administer the land title and survey systems in British Columbia.

The LTSA operates as a not for profit corporation independent from Government. The LTSA is funded by fees charged for undertaking services and the sale of information products.

The services provided by the LTSA include services they are required, by statute, to undertake as well as administrative services (non-statutory).

The creation of the CSAIR is part of the Government's *Homes for B.C. A 30-Point Plan for Housing Affordability in British Columbia* under the Cracking Down on Tax Fraud and Closing Loopholes. Under the plan, Government committed to building a database on pre-sale condominium assignments. Developers will be required to collect and report comprehensive information on the assignment of pre-sale condominium purchases. This information will be provided to the Ministry of Finance's Property Tax Branch.

The requirement for developers to report will be in REDMA once the legislative amendments that received Royal Assent in the spring come into force.

The implementation and operation of the CSAIR is not a service that the LTSA is required by statute to undertake. Instead, the LTSA has agreed to undertake it as an administrative service. As such, they are in the process of developing the necessary systems and preparing for a January 20, 2019 implementation.

s.13

To cover, at a minimum, the estimated annual operating costs, the LTSA will be proposing to their Board, that an administrative fee be charged to developers for registering each assignment. LTSA will provide the Board with a range of fees covering various costs of the development and implementation of the CSAIR. The Board has the authority to make the final decision on the fee amount.

In absence of an administrative fee being charged, LTSA will be looking to Government to provide funding to the LTSA for the operation (and potentially system development and maintenance) of CSAIR.

**DISCUSSION:**

The range of fees the LTSA will be bringing to the Board are as follows:

s.13

s.13

The fees under REDMA include fees to file disclosure statements (\$300 - \$1800 depending on the number of units for which a disclosure is filed) and fees to file amendments to disclosures (\$200). Assignment fees charged by developers typically range between 1.5% and 2.0% of the original purchase price of the condominium.

---

<sup>1</sup> This estimate was provided by Government.

s.13

**OPTIONS:**

- Option 1: Support the proposal of imposing an administrative fee within the range being proposed by the LTSA**
- Option 2: Do not support the proposal of imposing an administrative fee**

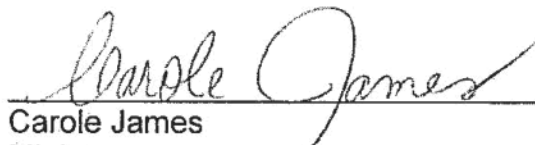
s.13

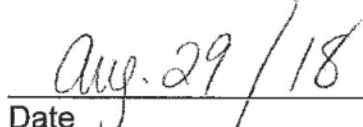
s.13

**RECOMMENDATION:**

**Option 1: Support the proposal of imposing an administrative fee within the range being proposed by the LTSA**

APPROVED / NOT APPROVED

  
\_\_\_\_\_  
Carole James  
Minister

  
\_\_\_\_\_  
Date

**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Carole James  
Minister of Finance  
and Deputy Premier

**Date Requested:** N/A  
**Date Required:** N/A

**Initiated by:** Brad Snell  
Senior Policy, Legislation  
and Revenue Analyst  
Ministry of Finance

**Date Prepared:** August 22, 2018

**Ministry  
Contact:** Brad Snell  
Ministry of Finance

**Phone Number:** 778-698-5002  
**Email:** bradley.snell@gov.bc.ca

**Cliff #:** 372458

---

**TITLE:** Amendments to *Petroleum and Natural Gas Act* regulations.

---

**PURPOSE:** Decision required to proceed with Order in Council.

**(X) DECISION REQUIRED**

---

---

Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

DM approval: \_\_\_\_\_

**DATE PREPARED:**

August 22, 2018

**ISSUE:**

Moving the administration of oil and gas royalties to the new Petrinex and TACS systems necessitates amendments to both the *Petroleum and Natural Gas Royalty and Freehold Production Tax Regulation (Royalty Regulation)* and the *Net Profit Royalty Regulation (Net Profit Regulation)*.

**BACKGROUND:**

The Ministry of Finance's (the Ministry) Revenue Division is moving the administration of its tax and non-tax programs to a single, common platform called TACS, as part of Revenue Transformation Initiative (RTI). The RTI project is currently in phase 3, Oil and Gas Revenue, by shifting the administration of the *Petroleum and Natural Gas Act* Parts 10 and 11 (the Act) to TACS. By November 2018, TACS will be responsible for the calculation and billing of oil and gas royalties.

Due to the complex nature of the oil and gas industry, the Ministry is also currently in the process of joining the Petroleum Information Network (Petrinex), as a front-end systems tool to collect industry data. Petrinex is an online portal that facilitates the collection and exchange of information related to the oil and gas industry's regulatory, fiscal and operational activities and will enable timely and more streamlined royalty administration. Alberta has used Petrinex since 2002 and Saskatchewan since 2012.

The Act was amended to support some of the regulation amendments via the *Budget Measures Implementation Act, 2018*.

Internal and External Consultations

The Ministry of Energy, Mines and Petroleum Resources, and the Oil and Gas Commission have been regularly involved with the project and consulted over the need for these amendments and have expressed their support.

Industry has been heavily involved in the design of BC Petrinex and has been advised of upcoming changes to royalty administration. Representatives from the Canadian Association of Petroleum Producers, individual producers, and facility operators have all attended workshops during the business case work and design phase of the Petrinex system. The proposed amendments to strengthen reporting and non-compliance tools support the reporting model that has been discussed with our external stakeholders.

Treasury Board has reviewed the proposed amendments via Treasury Board submissions and accepted the fiscal impacts and the ratified approval minute is expected on or after the next Treasury Board meeting scheduled for September 19<sup>th</sup>, 2018.<sup>13</sup>

**DISCUSSION:**

The RTI project provides an opportunity to modernize and improve royalty revenue administration and requires transformational changes to existing business processes. Changes are needed to protect revenue, automate and streamline business functions and enhance compliance with regulatory requirements.

Under the Act, amendments are needed to the Royalty Regulation and the Net Profit Regulation. The eight key areas that require amendments are as follows:

1. **Reporting Requirements** – *New reporting requirements and changes to existing requirements, including reporting deadline dates, are necessary to accommodate the Petrinex reporting model.*
  - a. The current, or “legacy”, form based reporting requirements are to be replaced and streamlined by the Petrinex and TACS reporting process.
  - b. Reporting deadline dates will also be adjusted to accommodate the proposed invoicing, assessment and payment cycle (Item #2).
2. **Invoicing, Assessments and Payments** – *New dates and language to align with other Revenue Division tax programs in TACS as part of RTI, and to align with the new reporting requirements under Petrinex.*
  - a. Improved functionality of the systems, as well as the adjusted reporting deadlines, allows oil and gas royalty invoices to be sent out simultaneously. Both will now be issued two months after the production month.
  - b. The province will receive its gas royalties one month sooner as a result.
  - c. The timeframe for persons to respond to questions from the royalty collector has also been shortened by 30 days.
  - d. The Ministry will also have one additional year (84 months rather than 72) to audit persons to prevent amended information from being statute barred.
3. **Royalty Share** – *A change in the point where the Crown's royalty share of natural gas by-products is calculated to accommodate the Petrinex reporting model.*
  - a. Current royalty trigger points for natural gas by-products are difficult to administer since the point of sale varies depending on the sales contracts.



- b. In Petrinex, the trigger point for natural gas by-products will be standardized to the point of production (at a gas processing plant) and is supported by current ministry audit processes which consider production volumes.

**4. Royalty Estimate Payments (Fiscal Impact)** – *Improvements in reporting and invoicing allows BC to remove the requirement for producers to pay estimate on their royalties.*

- a. The streamlining and improved timeliness of production reporting from industry with Petrinex eliminates the need for an estimated royalty payment. Royalty calculations for gas can now be completed within two rather than three months.

s.13

**5. Royalty on Unaccounted Quantities, AKA “Deemed Royalty” (Fiscal Impact)** – *Introduce a new section that allows for royalties to be deemed on a facility operator for failing to file correctly.*

- a. The amendments impose a deemed royalty on the facility where an improperly reported volumetric imbalance occurs. The royalty encourages the facility operator to fulfill their reporting requirements in a complete and accurate way to avoid the deemed royalty.
- b. The deemed royalty will be calculated by using the highest royalty rate currently possible for each product, with a fixed price that cannot exceed the highest price sold in the province.
- c. Deemed royalties (a practice consistent with Alberta and Saskatchewan) are an effective enforcement tool used to promote compliance and are not intended to generate incremental revenues. The deemed royalty will be reversed if the facility operator corrects the imbalance.

**6. Penalties (Fiscal Impact)** – *Changes to the reporting penalties to reflect the new reporting requirements.*

- a. Late royalty report submissions from industry are currently charged \$20/day or \$100 a month to a maximum of \$6,000, depending on the type of report.
- b. With the implementation of Petrinex, a revised compliance penalty framework will be applied to reporting errors identified by the system.

- c. Errors left uncorrected by producers for missing or incomplete information will result in a \$500/month penalty and errors left uncorrected by data discrepancies that impact the accuracy of the calculation will remain at a \$100/month penalty. The penalties are consistent with Saskatchewan.
- d. Fines and penalties are an enforcement tool used to promote compliance and are not intended to generate incremental revenues. The system will provide error reports to producers before the monthly deadline to correct the errors before a penalty is levied.

**7. Interest (Fiscal Impact)** – *New interest rules to align with other Revenue Division programs in TACS as part of RTI. The FAA interest regulations will be adopted.*

s.13

**8. Housekeeping**

- a. Language in the regulation regarding appeals to the minister has been made more consistent with other Revenue Division tax programs.
- b. Transitional rules introduced in the regulation will allow the Ministry to:
  - c. Apply the new interest rules to any amount calculated after the regulation changes, including amounts based on production months prior to the regulation amendments. This change is necessary to avoid costly changes to the TACS system and reduce administrative burden and complexity.
  - d. Impose the pre-amendment penalty framework to pre-amendment reporting errors.

**OPTIONS:**

- Status Quo
- Approve the OiC to amend the regulations

**RECOMMENDATION:**

Approve the OiC to amend the Regulations

**APPROVED / NOT APPROVED**

---

Honourable Carole James  
Minister of Finance and Deputy Premier

---

Date

Page 01 of 43 to/à Page 23 of 43

Withheld pursuant to/removed as

s.12

Page 24 of 43 to/à Page 29 of 43

Withheld pursuant to/removed as

s.12; s.14

Page 30 of 43 to/à Page 35 of 43

Withheld pursuant to/removed as

s.12; s.13

Page 36 of 43

Withheld pursuant to/removed as

s.13; s.12

Page 37 of 43 to/à Page 38 of 43

Withheld pursuant to/removed as

s.12; s.13



Page 39 of 43

Withheld pursuant to/removed as

s.13; s.12

Page 40 of 43 to/à Page 43 of 43

Withheld pursuant to/removed as

s.12; s.13