Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** **Date Required:**	March 4, 2021 March 4, 2021
Initiated by:	Grant Guenther Strategic Advisor Tax Policy Branch	**Date Prepared:**	March 4, 2021
Ministry Contact:	Grant Guenther Strategic Advisor Tax Policy Branch	**Phone Number:** 236-478-3337 **Email:** grant.guenther@gov.bc.ca **CLIFF#:** 480137	

TITLE: Implementing *Budget 2021* Property Tax Rate Decisions

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PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: March 4, 2021

TITLE: Implementing *Budget 2021* Property Tax Rate Decisions

ISSUE: OIC's are required to implement Budget 2021 rate setting policy.

BACKGROUND:

The Minister of Finance sets the rate setting policy for annual property taxes each year as part of the annual budget process. Rates are set for residential and non-residential school taxes, the rural area tax, and the police tax. These taxes are as follows:

- Residential school tax, OIC O10503019;
- Non-residential school tax, OIC O10503119;
- Rural area property tax, OIC R10503210; and
- Police tax, OIC O10506127.

DISCUSSION:

School Tax Rates:

Consistent with longstanding rate setting policy, the residential school tax rates are being set so that average residential school taxes, before the Home Owner Grant, increase by the provincial rate of inflation for the previous year (0.7 per cent for 2020 at the time the rates were calculated).

Also consistent with longstanding policy (other than the industrial classes discussed below), the non-residential school tax rates for the other property classes are being set such that revenues increase by inflation plus tax on new construction since 2019. The school tax rates for Major Industry (Class 4) and Light Industry (Class 5) are set equal to the Business and Other (Class 6) tax rate, as per the policy announced in Budget 2008.

The total revenue raised through the residential class school tax in 2021 is about $1.0 billion after home owner grant payments of about $0.8 billion. Non-residential class school tax revenues are $1.3 billion.

COVID-19 relief was provided for the 2020 tax year, reducing the School Tax for select non-residential property classes by $720 million. This was introduced as a temporary measure to provide relief to businesses and lessen the economic impact of COVID-19. The reduction in tax rates is not being extended.

Rural Area Tax Rates:

A single rural area residential property tax rate applies province-wide. Consistent with longstanding rate setting policy, the average residential rural area property tax will increase by the previous year's inflation rate. Also consistent with longstanding policy, the non-residential rural area tax rates will be set so that revenues increase by inflation plus tax on new construction from 2020.

The province also sets rural area tax rates in the Peace River Regional District, such that an additional $2 million is raised from the industrial property classes as part of the "Fair Share" Memorandum of Understanding (MOU) with that regional district.

Total revenue raised through the rural area tax in 2021 is projected to be $119 million.

Police Act tax rates

Police tax applies in provincial rural areas, municipalities under 5,000 in population, and taxing treaty First Nations that do not have an agreement to pay for basic police services. These areas are served by the provincial police force with the operating cost paid by Canada and BC.

Over 2000 tax rates generate $34 million in tax revenue.

OPTIONS:

s.12; s.13

RECOMMENDATION:

s.12; s.13

APPROVED / NOT APPROVED

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Honourable Selina Robinson
Minister of Finance

March 22, 2021

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Date

2021 Non-Residential School Tax Calculation

2021 Key Results

		A	C			
				forecast		forecast net of IPTC
	class	Assmt 2021	2021 Rate	2021 Revenue	IPTC	2021 Revenue Net
utilities	2	22,301,990,748	12.86	286,803,601		286,803,601
supportive housing	3	508	0.10	-		-
major industry	4	9,130,366,344	3.86	35,243,214	60%	14,097,286
light industry	5	32,047,406,882	3.86	123,702,991		123,702,991
business/other	6	232,126,468,835	3.86	896,008,170		896,008,170
managed forest	7	1,603,508,000	1.90	3,046,665		3,046,665
recr / nonprofit	8	3,351,811,756	2.33	7,809,721		7,809,721
farm	9	639,177,970	6.91	4,416,720	50%	2,208,360
		301,200,731,043		1,357,031,082		1,333,676,793

IPTC = Industrial Property Tax Credit

Cost of School Tax Credits		
class 4	60%	21,145,928
class 9	50%	2,208,360
		23,354,288

2021 Rural Area Tax Calculation Sheet

This is the main calculation sheet for the 2021 Rural Tax Rate OIC

2021 Key Results

			C	forecast
		Assmt 2021	2021 Rate	2021 Revenue
residential	1	121,612,537,155	0.45	54,725,642
utilities	2	6,820,489,118	3.80	25,917,859
supportive	3	0	0.10	-
major industry	4	2,472,184,889	6.92	17,107,519
light industry	5	2,821,064,262	2.79	7,870,769
bus/other	6	3,518,616,186	2.79	9,816,939
managed forest	7	1,558,763,500	0.46	717,031
recnonprof	8	446,386,404	0.88	392,820
farm	9	695,494,257	0.54	375,567
		139,945,535,771		116,924,146

Note: doesn't show unique PRRD rates

PRRD Additional Revenue

		Assmt 2021	2021 Rate	2021 Revenue
		extra tax rate =>	0.37	extra revenue
		added Jan 30 2021	don eJan 31 2021	
residential	1		0.45	
utilities	2	1,605,678,008	4.17	594,101
housing	3		0.10	
major industry	4	1,663,880,589	7.29	615,636
light industry	5	2,067,450,073	3.16	764,957
bus/other	6		2.79	
managed forest	7		0.46	
recnonprof	8		0.88	
farm	9		0.54	
				1,974,693
				should be just under $2 million
All TRAA Revenues				**118,898,840**

Note: NMC = non-market change including all six categories.

Note: The Assessed Value of Supportive Housing - Class 3 is nominal at $2. $0.10 is the s

NOTE: PRRD is rural jurisdictions 759 Dawson Creek Rural and 760 Fort St John Rural

#	School District Name	2020 Tax Rate Rounded at Maximum	Expected Total Revenue	Average Tax per property
5	SOUTHEAST KOOTENAY	2.0119	$16,081,735	$780
6	ROCKY MOUNTAIN	1.9148	$14,986,840	799
8	KOOTENAY LAKE	1.9761	$15,936,941	787
10	ARROW LAKES	2.3407	$2,279,895	733
19	REVELSTOKE	1.5472	$3,374,540	904
20	KOOTENAY-COLUMBIA	2.1873	$11,034,763	753
22	VERNON	1.6696	$25,343,811	861
23	CENTRAL OKANAGAN	1.4428	$76,688,376	952
27	CARIBOO-CHILCOTIN	2.5426	$15,278,593	712
28	QUESNEL	3.0130	$6,825,411	677
33	CHILLIWACK	1.5656	$31,869,823	897
34	ABBOTSFORD	1.4481	$43,309,442	949
35	LANGLEY	1.2327	$59,053,059	1,097
36	SURREY	1.1945	$182,665,380	1,136
37	DELTA	1.1887	$37,542,966	1,142
38	RICHMOND	1.1490	$90,134,843	1,188
39	VANCOUVER	0.9652	$317,355,069	1,548
40	NEW WESTMINSTER	1.2690	$26,295,708	1,066
41	BURNABY	1.1147	$97,180,585	1,235
42	MAPLE RIDGE-PITT MEADOWS	1.3348	$37,707,700	1,016
43	COQUITLAM	1.1846	$93,710,709	1,147
44	NORTH VANCOUVER	1.0224	$66,046,692	1,400
45	WEST VANCOUVER	0.8414	$39,439,606	2,146
46	SUNSHINE COAST	1.3751	$17,929,717	990
47	POWELL RIVER	1.9602	$7,688,022	790
48	SEA TO SKY	1.1033	$30,825,571	1,252
49	CENTRAL COAST	3.2158	$592,185	666
50	HAIDA GWAII	3.5030	$1,140,211	653
51	BOUNDARY	2.2769	$7,335,964	741
52	PRINCE RUPERT	2.4272	$3,335,629	724
53	OKANAGAN SIMILKAMEEN	2.0140	$10,800,438	780
54	BULKLEY VALLEY	2.3286	$4,633,139	734
57	PRINCE GEORGE	2.2558	$27,734,074	743
58	NICOLA-SIMILKAMEEN	2.0935	$6,133,092	767
59	PEACE RIVER SOUTH	2.8304	$7,990,229	689
60	PEACE RIVER NORTH	2.3166	$9,970,440	736
61	GREATER VICTORIA	1.2397	$81,279,260	1,091
62	SOOKE	1.4077	$30,783,879	971
63	SAANICH	1.2239	$28,756,751	1,106
64	GULF ISLANDS	1.3865	$10,771,037	983
67	OKANAGAN SKAHA	1.6633	$20,157,417	863
68	NANAIMO-LADYSMITH	1.6018	$43,575,604	884
69	QUALICUM	1.4900	$22,171,443	929
70	ALBERNI	1.8057	$11,689,122	823
71	COMOX VALLEY	1.5920	$26,941,443	887
72	CAMPBELL RIVER	1.7449	$15,387,255	839
73	KAMLOOPS-THOMPSON	1.8085	$39,045,209	823
74	GOLD TRAIL	2.6093	$3,769,815	706
75	MISSION	1.3579	$14,207,954	1,001
78	FRASER-CASCADE	1.8239	$7,036,811	819
79	COWICHAN VALLEY	1.6077	$26,893,723	882
81	FORT NELSON	4.5000	$1,195,716	587
82	COAST MOUNTAINS	2.2037	$9,555,653	750
83	NORTH OKANAGAN-SHUSWAP	1.9447	$24,730,008	793
84	VANCOUVER ISLAND WEST	4.0098	$816,462	635
85	VANCOUVER ISLAND NORTH	3.0798	$3,135,955	673
87	STIKINE	3.9004	$555,688	639
91	NECHAKO LAKES	3.2173	$6,704,554	666
92	NISGA'A	3.7162	$18,703	645

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** March 22, 2021 **Date Required:** April 1, 2021
Initiated by:	Heather Wood Deputy Minister of Finance	**Date Prepared:** March 22, 2021
Ministry Contact:	Joey Primeau Executive Director Finance Real Estate and Data Analytics Unit	**Phone Number:** 778-698-5265 **Email:** Joseph.Primeau@gov.bc.ca **Cliff #:** 480625

TITLE: Timing of Anti-Money Laundering Measures

PURPOSE:

(X) FOR INFORMATION

DATE PREPARED: March 22, 2021

TITLE: Timing of Anti-Money Laundering Measures

ISSUE: s.13

BACKGROUND:

Peter German's March 31, 2018 report identified money laundering in BC casinos. The report also indicated that there should be a closer look at money laundering in real estate and in money service businesses. s.13

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In September 2018, the Attorney General engaged Dr. German to investigate if other sectors (real estate, luxury car sales and horse racing) of B.C.'s economy were vulnerable to money laundering and the former Minister of Finance struck an Expert Panel to look at the prevalence of money laundering in the real estate sector specifically.

Both German and the Expert Panel released reports on May 9, 2019. The Expert Panel made 29 recommendations in five general categories: 1) beneficial ownership transparency, 2) regulatory reforms, 3) improved use of data holdings, 4) better cooperation between and across levels of governments, and 5) improvements to the federal anti-money laundering (AML) framework. Ministry staff immediately began work analyzing the Expert Panel recommendations related to regulatory reforms, including taking over the work on money service businesses s.13

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After the release of the reports, on May 15, 2019, the government launched a public inquiry (the Cullen Commission) into money laundering. The inquiry had a deadline of May 2021 to deliver a final report. Hearings began in Spring 2020. The Commission released an interim report on December 10, 2020 and has since received an extension for a final report to be delivered December 15, 2021.

Following the release of the first German report, a Deputy Ministers committee focused on AML (DMC-AML) was established. The DMC-AML consists of Deputy Ministers or their representatives from the Ministries of Finance, the Attorney General and Public Safety and Solicitor General.

DISCUSSION:

Work is underway at various stages on the recommendations in the Expert Panel Report. Implementation of the following are complete or nearly complete:

- Land Owner Transparency Registry.
- OneFSR (BCFSA as the single regulator for real estate).
- Transparency registers of beneficial owner kept by BC companies.

Each of these satisfies a recommendation in the Expert Panel's report.

Work has commenced on four other recommendations:

- Creation of a central Registry of Company Beneficial Ownership;
- A rewrite of the *Mortgage Brokers Act*;
- A regulatory regime for Money Services Businesses; and

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The Cullen Commission has heard evidence related to each of these initiatives. The Commissioner also identified these areas as high risk or areas of interest in his interim report.

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Ministry of Finance

BRIEFING DOCUMENT

To:	Selina Robinson Minister of Finance	**Date Requested: March 27, 2021** **Date Required: March 30, 2021**
Initiated by:	Heather Wood Deputy Minister	**Date Prepared: March 29, 2021**
Ministry Contact:	Christopher Brocklebank Strategic Policy Advisor	**Phone Number: 236-478-3457** **Email: chris.brocklebank@gov.bc.ca**
		Cliff #: 480889

TITLE: Economic and Fiscal Outlooks: Analysis of Key Provincial Budgets and Speculation Regarding the Federal Budget

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PURPOSE:

(X) FOR INFORMATION

COMMENTS: The largest provinces other than B.C. – Alberta, Quebec and Ontario – have now released their 2021 budgets, containing multi-year fiscal and economic outlooks. This briefing note examines the economic and fiscal outlooks of these budgets, as well as speculation regarding the 2021 federal budget.

DATE PREPARED: March 29, 2021

ISSUE: Economic and Fiscal Outlooks: Analysis of Key Provincial Budgets and Speculation Regarding the Federal Budget

BACKGROUND:

Fiscal year 2020/21 saw significant deteriorations in federal and provincial fiscal positions across the board due to the economic and fiscal impacts of COVID-19 and government response measures. Based on the most recent fiscal reports, all provincial governments and the federal government are expected to be in deficit positions in 2020/21.

As of March 29, 2021, six provinces have released their 2021 budgets[1]. These include the three other largest provinces by population and gross domestic product: Alberta, Ontario and Quebec. These three provinces project rebounds in economic conditions in 2021 compared to 2020 and improving labour market outlooks over their forecast horizons. They all project positive but declining rates of economic growth from 2021 to 2024 (see Appendix A).

Of particular note is that the 2021 Quebec and Ontario budgets include return to balance timelines in the late 2020s: Quebec projects a return to balance in 2027/28, while Ontario projects a return to balance in 2029/30. Alberta's 2021 budget did not include a projected return to balance, although its deficit is projected to decline over its forecast horizon, falling to $8 billion in 2023/24 (see Appendix B) – which on a per capita basis would be equivalent to a $9.3 billion deficit in B.C.

The federal government did not release a budget in 2020, instead releasing what it called an Economic and Fiscal Snapshot in August 2020 and then a Fall Economic Statement in November 2020. The Fall Economic Statement did not project a return to balance; it projected that deficits would decline to $24.9 billion in 2025/26, with the debt-to-GDP ratio falling to 49.6 per cent that year after peaking at 52.6 per cent in 2021/22. However, the federal projections did not account for $70 to $100 billion over three years in yet-to-be-announced measures to stimulate economic growth.

[1] Saskatchewan will release its budget on April 6, 2021, and Manitoba on April 7th. In November 2020, Saskatchewan forecast a deficit of approximately $2.0 billion in 2020/21 and stated they expected to balance their budget by 2024/25.

Summary Table: Information Relating to 2021 Budgets

	Alberta	Ontario	Quebec	Canada
Notional Year for Return to Balanced Budgets	n/a	2029/30	2027/28	Not expected to be included in Budget 2021*
Clear Plan for Return to Balanced Budgets?	n/a	No	No	Not expected to be included in Budget 2021*
s.16				
Projected Year When Net Debt-to-GDP Ratio Starts Declining	n/a	Mid-2020's	2022/23	Likely to be included in Budget 2021 based on prior reporting

* Instead, the federal budget may provide further details about "guardrails" for winding down the fiscal stimulus (beyond those provided in the Fall Economic Statement) and possibly some indication about what kind of fiscal anchor the federal government may adopt when that wind-down occurs.

** Ontario is projecting expenditure growth below the rate of inflation, s.16

*** Quebec has built into its projections a "shortfall to be offset", with no plan for specifically how that shortfall will be offset (i.e. through what combination of tax increases or restraint measures).

DISCUSSION:

Relative provincial fiscal sustainability

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Following the 2008/09 Great Recession, **B.C.** experienced five years of deficits before returning to balance in 2013/14. s.13

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s.13 Throughout the 2010s, B.C.'s ratio of net liabilities to GDP ("net debt-to-GDP") has remained stable, ranging between 14 and 17 per cent of GDP. B.C.'s net debt-to-GDP ratio is currently projected in the Province's 2021 budget to increase to about 27 per cent by 2023/24. s.13

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In contrast, **Alberta** had entered the 2010s in a net asset position, having eliminated its net debt in the 2000s, thanks in part to higher global petroleum prices during this period.

However, starting in 2014 with the decline of petroleum prices, Alberta's provincial deficits and net debt began to increase rapidly, and by 2019/20, Alberta's net debt had reached 11.4 per cent. In its 2021 budget, Alberta projects that its net debt-to-GDP will increase to 20.3 per cent in 2020/21 and 24.5 per cent in 2021/22, reaching 26.6 per cent by 2023/24. The budget does not project when the debt-to-GDP ratio will start declining or when the Province will return to budget balance. As a share of revenue, Alberta's net debt is projected to rise, and reach 200 per cent by 2023/24. Alberta states that as a fiscal anchor, it will aim to keep its debt-to-GDP ratio below 30 per cent, and it will present a plan for returning to balance once the pandemic is ended. Alberta will focus on expenditure restraint, rather than new or increased taxes, to maintain this anchor.

Similarly, even prior to 2020/21, **Ontario's** fiscal situation has been incrementally deteriorating over the last several decades from a net debt-to-GDP perspective. In 2001/02, Ontario's net debt-to-GDP was just under 30 per cent of GDP. In the following two decades, it rose steadily, reaching about 40 per cent of GDP in 2019/20, and about 47 per cent in 2020/21 due to the impact of the pandemic. Based on the 2021 Ontario budget, Ontario currently projects that its debt-to-GDP will stabilize around the mid-2020s at about 50 per cent, and then gradually decline to about 46 per cent in 2029/30, when its "Recovery Plan" projects that it will return to balance. The target under Ontario's debt burden reduction strategy is for net debt-to-GDP to not exceed 50.5 per cent over the medium-term outlook. As a share of revenue, Ontario's net debt is projected to rise, and reach about 300 per cent by 2023/24. The budget states that Ontario will depend on economic growth, rather than service cuts or increased taxes, to return to fiscal sustainability.

Unlike Ontario and Alberta, until 2020/21 **Quebec** had been making steady progress in improving its fiscal position. Quebec returned to a position of budgetary balance in 2015/16, and through a combination of expenditure restraint and legislated contributions to its Generations Fund (a provincial fund dedicated to debt reduction) its debt-to-GDP ratio declined from about 48 per cent in 2015/16 to about 37 per cent in 2019/20. That said, despite its progress in improving its fiscal position, Quebec entered the COVID-19 pandemic with relatively high net debt-to-GDP compared to other provinces, and saw an immediate year-over-year increase of about 8 per cent, with debt-to-GDP projected to reach 45 per cent in 2020/21. Quebec's 2021 budget projects the Province's net debt-to-GDP to incrementally decline during the 2020s, reaching about 41 per cent in 2027/28, the year where the Province has set its goal of returning to balance. As a share of revenue, Quebec's net debt is projected to rise, and reach about 170 per cent by 2023/24 Quebec states that it will aim to achieve balance through aligning spending growth with revenue growth, and without service cuts or a higher tax burden.

Intra-Provincial Fiscal Comparisons

		BC	Alberta	Ontario	Quebec
Public projection on timeline to return to balance (in base scenario)		N/A	N/A	2029/30	2027/28
2021/22 Deficit per Capita		-$1,824	-$4,103	-$2,243	-$1,073
Deficit Forecast	**2021/22**	-$9.7B	-$18.2B	-$33.1B	-$9.2B
	2022/23	-$5.4B	-$11.0B	-$27.7B	-$5.3B
	2023/24	-$4.3B	-$8.0B	-$20.2B	-$1.9B
Net Debt-to-GDP Forecast	**2021/22**	22.8%	24.5%	48.8%	45.5%
	2022/23	25.0%	26.1%	49.6%	45.2%
	2023/24	26.9%	26.6%	50.2%	44.9%
Debt-to-revenue Forecast	**2021/22**	125.9%	188.0%	285.6%	173.8%
	2022/23	135.4%	198.3%	297.3%	176.8%
	2023/24	147.5%	200.8%	301.3%	176.4%
Credit Ratings (as of April 1, 2021)	**Moody's**	Aaa	Aa3	Aa3	Aa2
	S & P	AAA	A+	A+	AA-
	Fitch	AAA	AA-	AA-	AA-

Notes:

1. BC data is based on projections as of March 31, 2021 and subject to change.
2. Ontario timeline to return to balance assumes low expense growth.
3. Quebec timeline to return to balance assumes that an additional $1.3 billion per year will be required (e.g. spending reductions or new revenues) starting in 2023/24 and accumulating to a total of $6.5 billion by 2027/28 in order to achieve balance.
4. Quebec budget balance shown excludes legislated deposits to Generations Fund; deficits are larger after deposits.
5. Debt-to-GDP and debt-to-revenue forecasts are never directly comparable because of the different ways it is calculated by provinces (and a comparison adjustment cannot be done directly). For example, BC typically highlights "taxpayer-supported" debt (but not BC Hydro), while Quebec includes Hydro Quebec, and Alberta uses "net liabilities". Rating agencies provide comparisons on a more equal footing, but it is always backwards looking (included in Public Accounts for fiscal years 2018/19 and 2019/20).

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Federal budget speculation

It is not expected that the federal budget will include a target for a return to balance. The Fall Economic Statement rejected trying to lock the recovery timeline into a rigid and pre-determined calendar. On February 11, 2021, the House of Common's Standing Committee on Finance adopted a report that included 145 recommendations based on its budget consultations, none of which addressed an intention to return to balance, let alone over what time frame or how such a return could be achieved. The Conservatives' dissenting opinion called for a plan to return to balance within 10 years, limiting government spending increases to below inflation and population growth (implying expenditure reductions) while creating no new taxes, and, in some cases, reducing taxes (e.g. low-income workers).

In terms of guiding fiscal principles, the Fall Economic Statement indicated that the federal "fiscal anchor" of a declining debt-to-GDP ratio would be set aside while the federal government sought to stimulate a robust and inclusive recovery. The Statement announced that "fiscal guardrails" (including the employment rate, total hours worked, and the level of unemployment) would be established to determine when the stimulus will be wound down and the country can return to "a prudent and responsible fiscal path, based on a long-term fiscal anchor [the federal government] will outline when the economy is more stable."

On March 18, 2021, the International Monetary Fund (IMF) issued a press release that called on the federal government to communicate its medium-term fiscal objectives more clearly. While noting that there may be need for continued fiscal support, the press release stated that, "introducing a fiscal anchor, that clearly illustrates fiscal sustainability, would help strengthen the credibility of the fiscal framework."

In a policy brief, Chartered Professional Accountants Canada noted four potential anchors proposed by the C.D. Howe Institute, the Business Council of Canada, and the

Public Policy Forum, among others: some version of the debt-to-GDP ratio; deficit-to-GDP ratio; expenditure-to-GDP ratio; or debt-service ratio. CPAC stated that use of such anchors should not be so strict as to limit government action during an economic crisis or so soft as to not hold the government to account, warning that mechanical adoption of one or more of these as a definitive limit to government spending can lead to procyclical government policy that, historically, tends to backfire in the wrong situation. Instead, CPAC recommended a framework that:

- Implements standards or limits on government spending and indebtedness, considering a broad range of metrics;
- Remains flexible enough to allow for countercyclical policy during economic events;
- Allows for an independent or multi-party body, such as the PBO or a parliamentary committee, to both monitor and hold government to account if deviations from those limits occur; and
- Is simple enough for the Canadian public to understand.

An article co-authored by former Parliamentary Budget Officer and current Institute of Fiscal Studies and Democracy CEO Kevin Page made these observations:

- In a world of low interest rates and significant post-pandemic economic scarring, fiscal policy will be used to support a return to potential output and full employment.
- Timely, targeted and temporary should be the three principles for fiscal stimulus for the post-COVID recovery. These principles were effective in Canada's response to the 2008 global financial crisis.
- To the extent that Budget 2021 lays out a longer-term policy vision for the country, it must set out a medium-term fiscal anchor. This fiscal anchor could be expressed as a level of debt relative to income that it believes will balance the need for financing policy transformation; promote a healthy fiscal stance with respect to cyclical economic growth (neither too stimulative nor restrictive); and ensure a long-term sustainable debt-to-income ratio for the federal government with due regard to the sustainability of other levels of government in Canada.
- A new fiscal debt-to-GDP anchor for Canada will inevitably be at a much higher level than existed in a pre-pandemic environment – likely 20 to 25 percentage points higher (from 30 to 50-55 percent).
- In a post-COVID economy that has returned to trend levels of output and full employment, spending on new government programs should not be financed through deficit spending. A modest increase in interest rates over the current assumptions (e.g., a 150-basis point average increase) would be enough to put federal debt-to-income on an unsustainable path.

Appendix A: Provincial Budget 2021 Economic Indicators

Quebec Budget 2021 Economic Indicators

	2020	2021	2022	2023	2024
Real GDP *(% Change)*	*(5.2)*	*4.2*	*4.0*	*2.0*	*1.5*
Nominal GDP *(% Change)*	***(4.0)***	***6.0***	***5.8***	***3.8***	***3.3***
Employment *(% Change)*	*(4.8)*	*3.6*	*1.8*	*0.6*	*0.4*
Unemployment Rate *(%)*	*8.9*	*6.4*	*6.0*	*5.8*	*5.7*
Consumer Price Index (CPI) Inflation *(%)*	***0.8***	***1.9***	***2.2***	***2.0***	***2.0***

Ontario Budget 2021 Economic Indicators

	2020	2021	2022	2023	2024
Real GDP *(% Change)*	*(5.7)*	*4.0*	*4.3*	*2.5*	*2.0*
Nominal GDP *(% Change)*	***(4.8)***	***6.2***	***6.4***	***4.5***	***4.0***
Employment *(% Change)*	*(4.8)*	*4.2*	*3.0*	*2.2*	*1.6*
Unemployment Rate *(%)*	*9.6*	*8.2*	*6.9*	*6.5*	*6.3*
CPI Inflation *(%)*	***0.7***	***1.7***	***2.0***	***2.0***	***2.0***

Alberta Budget 2021 Economic Indicators

	2020	2021	2022	2023	2024
Real GDP *(% Change)*	*(7.8)*	*4.8*	*3.7*	*3.3*	*3.1*
Nominal GDP *(% Change)*	***(12.8)***	***8.8***	***7.5***	***6.6***	***6.8***
Employment *(% Change)*	*(6.6)*	*4.2*	*2.9*	*2.5*	*2.4*
Unemployment Rate *(%)*	*11.4*	*9.9*	*8.4*	*7.3*	*6.3*
CPI Inflation *(%)*	***1.1***	***1.4***	***1.8***	***2.0***	***2.0***

Appendix B: Provincial Budget Overviews

***Overview of Quebec 2021 Budget**, $Billions (Unless otherwise indicated)*

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	Interim	Budget	Forecast	Forecast	Forecast	Forecast	*Projection*	*Projection*
Own-source Revenue	90.0	95.7	100.3	104.0	107.9	111.1	115.2	119.0
Federal Transfers	30.3	26.9	26.2	26.8	26.4	27.0	27.5	27.9
Total Revenues	120.3	122.6	126.4	130.8	134.3	138.1	142.7	146.9
Program Spending	110.8	116.9	119.6	123.7	126.6	130.5	134.9	139.2
Public Debt Interest	7.7	8.6	9.0	9.0	9.4	9.3	9.1	9.2
Total Expenditure	118.5	125.5	128.6	132.7	136.0	139.8	144.0	148.4
Total Adjustments, of which:	*(16.8)*	*(9.3)*	*(6.4)*	*(3.9)*	*(2.6)*	*(1.4)*	*0.1*	*1.5*
• *COVID support/recovery*	*(11.9)*	*(4.3)*	*(1.2)*	*(0.1)*	-	-	-	-
• *Accounting adjustments*	*(0.6)*	*(0.7)*	*(0.7)*	*(0.5)*	*(0.6)*	*(0.6)*	*(0.1)*	*0.4*
• *Provision for risks/support*	*(1.3)*	*(1.3)*	*(1.3)*	*(0.8)*	*(0.5)*	*(0.5)*	*(0.5)*	*(0.5)*
• *Shortfall to be offset*	-	-	-	*1.3*	*2.6*	*3.9*	*5.2*	*6.5*
• *Deposits to Generations Fund*	*(3.0)*	*(3.1)*	*(3.2)*	*(3.8)*	*(4.1)*	*(4.2)*	*(4.5)*	*(4.9)*
Budget Balance	**(15.0)**	**(12.3)**	**(8.5)**	**(5.7)**	**(4.4)**	**(3.1)**	**(1.3)**	**-**
Net Debt	199.1	213.0	223.6	230.8	235.4	238.7	*n/a*	*n/a*
% of GDP	***45.0***	***45.5***	***45.1***	***44.9***	***44.3***	***43.4***	***42.2***	***40.7***

Sources: *2021 Quebec budget, March 25, 2021.*

Notes: *Numbers may not add due to rounding. Some figures may have been adjusted by B.C. Finance for comparability purposes. GDP figures for 2020 and beyond based on 2021 budget. Own-source Revenue and Program Spending represent B.C. Finance calculations. Total Adjustments represents net impact of all explicit prudence measures, as well as other measures not accounted for in expenditure or revenue. Does not include Stabilization Reserve adjustment.*

Appendix B: Provincial Budget Overviews

***Overview of Ontario 2021 Budget**, $Billions (Unless otherwise indicated)*

	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30
	Fiscal Plan				*Recovery Plan*					
	Interim	Budget	Forecast	Forecast	*Projection*	*Projection*	*Projection*	*Projection*	*Projection*	*Projection*
Own-source Revenue	118.1	126.6	132.3	138.3	143.8	149.6	155.5	161.7	168.2	174.9
Federal Transfers	33.7	27.4	27.7	28.7	29.7	30.7	31.8	32.9	34.0	35.2
Total Revenues	151.8	154.0	160.0	167.0	173.5	180.3	187.3	194.6	202.2	210.1
Program Spending	177.8	173.0	172.5	171.0	173.7	176.2	178.8	181.6	184.3	187.0
Public Debt Interest	12.5	13.1	13.7	14.6	15.5	16.8	18.1	19.0	20.0	20.6
Total Expenditure	190.3	186.1	186.2	185.6	189.2	193.0	196.9	200.6	204.3	207.6
Total Adjustments: Reserve	-	*(1.0)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*	*(1.5)*
Budget Balance	**(38.5)**	**(33.1)**	**(27.7)**	**(20.1)**	**(17.2)**	**(14.2)**	**(11.1)**	**(7.5)**	**(3.6)**	**0.9**
Net Debt	399.5	439.8	475.8	503.1	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
% of GDP	***47.1***	***48.8***	***49.6***	***50.2***	***50.5***	***50.5***	***50.2***	***49.5***	***48.2***	***46.4***

Sources: *2021 Ontario budget, March 24, 2021.*

Notes: *Numbers may not add due to rounding. Some figures may have been adjusted by B.C. Finance for comparability purposes. GDP figures for 2020 and beyond based on 2021 budget. Own-source Revenue and Program Spending represent B.C. Finance calculations. Total Adjustments represents net impact of all explicit prudence measures, as well as other measures not accounted for in expenditure or revenue.*

Appendix B: Provincial Budget Overviews

***Overview of Alberta 2021 Budget**, $Billions (Unless otherwise indicated)*

	2020/21	2021/22	2022/23	2023/24
	Interim	**Budget**	**Forecast**	**Forecast**
Own-source Revenue	30.9	33.5	37.6	41.1
Federal Transfers	11.4	10.2	9.9	9.8
Total Revenues	42.3	43.7	47.4	50.9
Program Spending	53.1	54.6	54.0	54.6
Public Debt Interest	2.4	2.8	3.1	3.3
Total Expenditure	55.5	57.3	57.1	58.0
Total Adjustments, of which:	*(7.0)*	*(4.6)*	*(1.3)*	*(0.9)*
• *COVID-19: Recovery Plan: operating*	*4.7*	*0.9*	*0.5*	*0.1*
• *COVID-19: Recovery Plan: capital/PPE*	*1.2*	*0.2*	*0.1*	-
• *Contingency/disaster assistance*	*0.8*	*0.8*	*0.8*	*0.8*
• *Contingency: COVID-19*	-	*1.3*	-	-
• *Contingency: Recovery Plan*	-	*0.5*	-	-
• *Crude-by-Rail provision*	*0.4*	*1.0*	-	-
Budget Balance	**(20.2)**	**(18.2)**	**(11.0)**	**(8.0)**
Net Debt	62.5	82.2	94.0	102.1
% of GDP	***20.3***	***24.5***	***26.1***	***26.6***

Sources: *2021 Alberta budget, February 25, 2021.*

Notes: *Numbers may not add due to rounding. Some figures may have been adjusted by B.C. Finance for comparability purposes. GDP figures for 2020 and beyond based on 2021 budget. Own-source Revenue and Program Spending represent B.C. Finance calculations. Total Adjustments represents net impact of all explicit prudence measures, as well as other measures not accounted for in expenditure or revenue.*

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** April 6, 2021 **Date Required:** April 7, 2021
Initiated by:	Minister's Office	**Date Prepared:** April 6, 2021
Ministry Contact:	Shauna Sundher Director, Housing Taxation Tax Policy Branch	**Phone Number:** 778-698-9051 **Email:** shauna.sundher@gov.bc.ca
		Cliff #: 480973

TITLE: Speculation and Vacancy Tax on HBU Airspace

PURPOSE:

(X) DECISION

DATE PREPARED: April 6, 2021

TITLE: Speculation and Vacancy Tax on HBU Airspace

ISSUE: A recent media article references that the speculation and vacancy tax (SVT) now applies to "airspace" above split classified properties.

BACKGROUND:

Taxing "air"

A recent news article has brought up an ongoing issue related to the assessment system, commercial properties in Metro Vancouver (primarily the City of Vancouver), and commercial lease contracts.

Generally speaking, for property tax purposes, properties are valued at their market value – what a buyer would be willing to pay for them on the open market. Business and light industry property classes are valued at their market value in their highest-and-best use (HBU). For some properties, this may be based on the income generated by the business in its current use. However, expectation of future development can drive up the market value of a property, based on what is allowed under the current zoning (airspace) or even before a municipality increases the density of the zoning. Valuation at HBU is an industry standard and is an important incentive to the redevelopment of property. HBU also ensures that the tax burden of property taxes is equitably distributed between taxpayers. The owner of a commercial property worth millions or tens of millions of dollars because they have had their property rezoned is taxed on the actual value of the property.

This means some property owners are taxed on the value of the airspace above their properties – particularly if they have obtained zoning approvals for redevelopment.

Amacon

In 2014 an anomaly in the assessment system was created by a Property Assessment Appeal Board (PAAB) decision (*Amacon)* which found that a commercial property's airspace or unbuilt density could be considered 'land' and split classified as class 1 residential.

This decision meant that properties that are specifically zoned for future residential use may have their airspace reclassified from class 6 to class 1 land. This split classification would normally significantly reduce the property tax burden as class 1 tax rates are typically much lower than business or light industrial tax rates.

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The PAAB ruling is relatively narrow and to-date only affects a small subset of properties in Vancouver.

Following the *Amacon* decision, but before the announcement of the SVT and additional school tax (AST), tax agents in the lower mainland s.13 encouraged many property owners to contact BC Assessment to have their classification changed or appeal their property classification in order to get their airspace classified into class 1. Since 2014, s.13 properties have successfully had their airspace reclassified to class 1 land to reduce their property tax liability. These properties are referred to as “Amacon” properties for convenience.

Speculation and Vacancy Tax and Land without Residence

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s.13 Government decided to implement a temporary vacant property exemption but afterwards to tax vacant land, including airspace.

The SVT included an exemption for “land without residence” for the 2018 and 2019 tax years. The exemption was intended to be a one-year transitional measure, providing relief in the first year of the tax, while also ensuring that vacant land would be put to use.

The land without residence exemption, which was originally set to expire after the 2018 tax year, was extended for an additional year in Budget 2020 and expired at the end of the 2019 tax year, the exemption is no longer claimable for 2020.

There were 8,702 properties that claimed the land without residence exemption in 2018 and 10,445 properties in 2019. The vast majority of those claiming the exemption were corporate entities.

One of the purposes of the SVT is to induce owners of vacant land in metro areas with housing affordability issues to develop the land into housing. The purpose of the land without residence exemption was to ensure that those who held vacant land would have enough time to adjust to the SVT by either beginning to develop the land or to sell it to someone who would then develop the land.

To encourage development, the SVT includes an exemption for land under development. This exemption is very permissive, and the intention is that most “air space” in metro Vancouver should qualify for this exemption if the owner is taking reasonable steps to develop.

DISCUSSION:

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The SVT applies generally to class 1 residential property (land and improvements). Owners of Amacon properties (or tax agents on their behalf) have successfully argued that the undeveloped airspace above their property is vacant land and should be reclassified as class 1. Owners who have unbuilt airspace that is class 5 or 6 (who have not undergone this tax planning) are not subject to the SVT.

Who is affected

There are approximately s.13 s.21 properties in the SVT specified areas. Of these, only s.13 properties had an owner who paid SVT in 2019. The remainder of the properties were exempt, and 65 of the properties had an owner who claimed a property with no residence exemption.

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OPTIONS:

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RECOMMENDATION:

s.13

APPROVED / NOT APPROVED

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Selina Robinson
Minister of Finance

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Date

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** **Date Required:**	 **April 14, 2021**
Initiated by:	Heather Wood Deputy Minister	**Date Prepared:**	**April 7, 2021**
Ministry Contact:	Andrea Keil Director, Indigenous Tax	**Phone Number:** **Email:**	778-698-5829 Andrea.Keil@gov.bc.ca
		Cliff #:	481026

TITLE: s.13; s.16

PURPOSE:
(X) DECISION REQUIRED

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Withheld pursuant to/removed as

s.13 ; s.16

Page 38 of 54

Withheld pursuant to/removed as

s.12 ; s.13 ; s.14 ; s.16

Page 39 of 54

Withheld pursuant to/removed as

s.12 ; s.13 ; s.16

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** April 8, 2021 **Date Required:** April 8, 2021	
Initiated by:	Minister's Office	**Date Prepared:** April 8, 2021	
Ministry Contact:	Shauna Sundher Director, Housing Taxation Tax Policy Branch	**Phone Number:** 778-698-9051 **Email:** shauna.sundher@gov.bc.ca	
		Cliff #:	481061

TITLE: Temporary on year fix for SVT s.21

PURPOSE:
(X) DECISION REQUIRED

COMMENTS: A remission order can be used to exempt owners s.21 from the SVT for 2020.

DATE PREPARED: April 8, 2021

TITLE: Temporary fix for SVT s.21

ISSUE: The SVT may apply to some s.21 for the 2020 tax year and the tax will be due July 2.

BACKGROUND:

s.13; s.21

DISCUSSION:

s.13

s.13; s.21

s.12

s.13; s.14; s.21

s.13; s.21

OPTIONS:

s.13; s.21

s.13; s.21

RECOMMENDATION:

s.13; s.21

APPROVED / **NOT APPROVED**

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Selina Robinson
Minister of Finance

April 12, 2021
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Date

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** April 5, 2021 **Date Required:** April 12, 2021	
Initiated by:	Chris Dawkins, Executive Lead	**Date Prepared:** April 12, 2021	
Ministry Contact:	Joey Primeau Executive Director, Financial and Corporate Sector Policy Branch	**Phone Number:** 778-698-5265 **Email:** Joseph.Primeau@gov.bc.ca	
		Cliff #:	481123

TITLE: s.12

PURPOSE:

(X) FOR INFORMATION

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Withheld pursuant to/removed as

s.12

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** April 9, 2021 **Date Required:** April 20, 2021
Initiated by:	Richard Purnell Senior Executive Director Tax Policy Branch	**Date Prepared:** April 14, 2021
Ministry Contact:	Shauna Sundher Director, Housing Tax Policy Branch	**Phone Number:** 778 698-9051 **Email:** shauna.sundher@gov.bc.ca **Cliff #:** 481134

TITLE: Speculation and Vacancy Tax Remission Order

PURPOSE:
(X) DECISION REQUIRED

DATE PREPARED: April 14, 2021

TITLE: Speculation and Vacancy Tax remission order

ISSUE: An OIC is required to provide remission from the speculation and vacancy tax for property owners with tenants in a triple net lease.

BACKGROUND:

The land with no residence exemption was available for property owners for the 2018 and 2019 calendar years to exempt them from the speculation and vacancy tax (SVT). This exemption is no longer available to claim in 2020 and some owners of these properties may be in a position where they do not qualify for another exemption or do not claim an exemption that they do qualify for.

Owners that are liable for the SVT in 2020 may have the ability to pass this liability on to their tenants through a triple net lease agreement. Each lease agreement is different, and it depends on the terms of the lease whether or not the tax could get passed on.

DISCUSSION:

There are a number of properties on the assessment roll that are split classified and contain some class 1 (residential) portion. Government has received complaints from some business tenants who are having speculation and vacancy tax on the airspace above their commercial business passed on to them.

When these properties also contain a commercial building with a tenant, the SVT liability associated with the class 1 vacant land may be passed on the tenant. These tenants have been identified as being impacted by the SVT which is a tax imposed on a property owner based on how the owner uses the property. s.13

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The OIC is currently drafted so that the administrator is satisfied that the following conditions with respect to the property are met:

- The class 1 portion is land which has no present use, and which is neither specifically zoned nor held for business, commercial or industrial purposes.
- The property does not include a residence or any part of an improvement that is class 1 property.
- The property contains a commercial improvement classified as either class 5 or class 6.
- The owner has filed a declaration for the 2020 calendar year and is liable for SVT.
- The property was subject to a commercial lease prior to the date the regulation comes into force and at the time of application is subject to the same lease that obliges the tenant to pay an amount of money that varies with the amount of tax imposed under the *Speculation and Vacancy Tax Act* (a triple net lease) in respect of the property for the 2020 calendar year.
- Before the owner can submit an application, they must notify each tenant of the property that is in a triple net lease and before a tenant can submit an application, they must notify each owner of the property.

These tests ensure that the remission can only be claimed by an owner or a tenant that is responsible for the 2020 SVT liability through a triple net lease on airspace or bare residential land.

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The remission is in respect of 2020 SVT liability and can be applied for by an owner or a tenant. s.12

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OPTIONS:

Option 1. s.13

Option 2.

RECOMMENDATION:

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APPROVED / NOT APPROVED

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Honourable Selina Robinson
Minister of Finance

April 19, 2021
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Date

Ministry of Finance

BRIEFING DOCUMENT

To:	Honourable Selina Robinson Minister of Finance	**Date Requested:** Feb. 3, 2021 **Date Required:**	
Initiated by:	Chris Bordeleau	**Date Prepared:** Feb. 4, 2021	
Ministry Contact:	Chris Bordeleau	**Phone Number:** 778-698-8165 **Email:** chris.bordeleau@gov.bc.ca	
		Cliff #: 479435	

TITLE: Funding for Early Learning and Child Care Programs

PURPOSE:

(X) DECISION REQUIRED

BACKGROUND:

- In 2017/18, B.C. entered into the Early Learning and Child Care Agreement (the Agreement) with the federal government. Under the Agreement, B.C. receives funding for the full cost of several provincial childcare programs, identified in Table 1 below.

Table 1: ELCC-funded childcare programs

Program	Description
$10/day prototype sites	This trial program created 2,500 childcare spaces across B.C. with a maximum monthly fee of $200 per month; potentially no cost for low-income families. CFD received a final evaluation of the program in summer of 2020.
ECE Education Support Fund	Provides bursaries to increase the number of ECE students entering and graduating from recognized post-secondary programs.
Aboriginal Head Start	Provides funding for the Aboriginal Head Start Association of B.C., which operates 12 childcare sites in urban areas across B.C.
Supported child development	Provides support to families of children who require additional support to access childcare (e.g., children with support needs)
Young Parent Program	Provides funding for parents under age 25 to help with childcare while finishing high school.

- The Agreement expired on March 31, 2020, but negotiations for a new Agreement have been delayed by the federal government. In September 2020, both parties extended the Agreement to March 31, 2021 to secure funding for programs in 2020/21. It's still unclear when negotiations will begin and a new agreement will not be in place before the current one expires.
- To maintain the programs into 2021/22, CFD will need to extend the current contracts before the new Agreement and funding is in place, using provincial funding as a backstop.

DISCUSSION:

Impacts of the decision

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[1] The Framework is a roadmap for collaboration between provinces, territories, and the federal government on child care programs

- The federal government has provided a letter, signed by the Minister of Families, Children and Social Development, committing to providing funding in 2021/22. Subject to negotiations, B.C. stands to receive a notional funding allocation of $52.6M. The final number will be determined in fall 2021 once Statistics Canada provides updated population estimates.
- A similar letter was provided in 2020, before the one-year extension. s.12; s.13
  s.12; s.13
- In addition to B.C.'s regular ELCC funding, the federal government has also committed to provide one-time funding of approximately $54M in 2021/22 to support recruitment and retention of early childhood educators. This funding was announced in the Fall 2020 Economic Statement.

Outcomes and long-term implications

- The ELCC-funded programs are important components of B.C.'s childcare strategy. They address crucial challenges that would hinder implementation of universal childcare, such as recruitment and retention of early childhood educators. s.13; s.16
  s.13; s.16
- These programs have achieved positive results, particularly the Prototype Sites program. A contracted evaluation of the Prototype Sites found that childcare providers experienced less financial pressure and were able to improve quality of care, while lower fees reduced stress on families accessing the sites. Through *Budget 2021*, CFD has already requested funding to expand the Prototype Sites, Aboriginal Head Start, and Supported Child Development programs.

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OPTIONS:

- Option 1: Approve CFD's request to extend ELCC programs using provincial funding, in anticipation of a federal recovery once the new Agreement is signed.
- Option 2: Do not approve

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RECOMMENDATION:

- Option 1. Avoids any interruption to provincial childcare programs while federal/provincial negotiations take place.

APPROVED / **NOT APPROVED**

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Selina Robinson
Minister of Finance

February 18, 2021
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Date