

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

**To:** Lori Wanamaker  
Deputy Minister of Finance

**Date Requested:** Oct. 22, 2020  
**Date Required:** Oct. 26, 2020

**Initiated by:** Lori Wanamaker  
Deputy Minister

**Date Prepared:** Oct. 24, 2020

**Ministry Contact:** Richard Purnell  
Senior Executive Director  
TPIFR Branch

**Phone Number:** 778-698-5864  
**Email:** Richard.Purnell@gov.bc.ca

**Cliff #:** 396482

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**TITLE:** Payment of \$1,000 to families and \$500 to individuals

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**PURPOSE:**  
**(X) DECISION REQUIRED**

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**DATE PREPARED:** October 24, 2020

**TITLE:** Payment of \$1,000 to families and \$500 to individuals

**ISSUE:** Numerous decisions are needed to facilitate payment of \$1,000 to families and \$500 to individuals, as committed to by the BC NDP during the election campaign, in time for Christmas.

**BACKGROUND:**

At the request of the Deputy Minister, this note provides advice on the BC NDP's 2020 election platform commitment to provide a one-time \$1,000 direct deposit to families whose household income is under \$125,000 annually – fully phased out at \$175,000; and a one-time \$500 direct deposit to single people earning less than \$62,000 annually – fully phased out at \$87,000.

**DISCUSSION:**

The newly elected NDP government (not yet confirmed) has committed to making payments before Christmas. <sup>s.13</sup>

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To meet the Christmas target, an application-based process will be required. <sup>s.13</sup>

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Assuming that everyone who is eligible for a benefit applies, the cost of this commitment is approximately <sup>s.13</sup>

<sup>s.13</sup> This assumes 100% uptake of the program for families and individuals who are eligible.

This note has been prepared with input from Tax Policy, Revenue Division and Legal Services Branch. <sup>s.14</sup>

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### 1. Administration

*Income Tax Act* programs are either administered by the federal Canada Revenue Agency or by BC's Ministry of Finance.

Typically, the Canada Revenue Agency administers income tax programs, as they are a larger organization and have direct access to information.<sup>s.13</sup>

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Because of the way the *Income Tax Act* is structured, a series of amendments to enable standard administrative powers to support the benefit will also be required. This note

contains a series of decisions on these administrative powers in addition to policy decisions.

**Options:**

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**APPROVED / NOT APPROVED**

**2. Program structure**

Many income tax credits are legislated as overpayments of tax. These overpayments of tax allow the Province (or the Canada Revenue Agency on behalf of the Province) to pay out the benefits through the tax system. This note and subsequent decision points assume that the payment will be implemented as a refundable tax credit rather than a grant program.



The note assumes the tax credit will be an income tax credit in the *Income Tax Act*.

**APPROVED / NOT APPROVED**

3. Administrator powers

Under other tax and benefit programs administered by the Revenue Division, the power to assess or determine an amount is held by the program administrator, who must assess a return or application after it is received. Typically, the administrator:

- can reassess the return subject to certain time limits;
- is not bound by information included in the application; and
- can make a determination, even if an application is not filed.

Once an assessment is made, the Ministry may make a refund payment. The standard provisions also ensure that the decision maker's determination of a benefit is not invalid merely because of an administrative error.

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**APPROVED / NOT APPROVED**

4. Definition of "income"

A decision is needed on the definition of "income" used for the payment's income test.

In Canada, there are three main kinds of income reported on a personal income tax return: "total," "net" and "taxable" income.

- Total income is the broadest concept and contemplates income prior to any deductions. It encompasses more than two dozen types of income, including employment income, commissions, pension income, spousal support, social assistance payments, net business income, net rental income, net farming income and income from a registered retirement savings plan (RRSP).
- Net income is total income, with many potential deductions subtracted. These include deductions for pension contributions, union dues, child care expenses and moving expenses, among others.
- Taxable income is net income, with several more potential deductions subtracted. For example, there is a northern residents deduction, a capital losses deduction, and a deduction for police officers and Canadian forces personnel.

Taxable income is used to calculate provincial taxes owing (before credits are applied). s.13

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**APPROVED / NOT APPROVED**

5. Taxation year used in income test

Benefits paid through the income tax system are generally based on the most recent tax year filed. The 2019 tax year is the most recent year filed for most British Columbians.

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A key issue with <sup>s.13</sup> 2019 tax information is that it does not account for any income impacts resulting from COVID-19. <sup>s.13</sup>

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However, using 2020 income as a basis for the income test is not feasible if payments are to be issued by Christmas.

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**APPROVED / NOT APPROVED**

**6. Phase-out range**

The BC NDP platform commits to phase out the payment to single people for income between \$62,000 and \$87,000, and the payment to families for income between \$125,000 and \$175,000.

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**APPROVED / NOT APPROVED**

**7. Phase-out method**

The BC NDP platform commits to phasing out the benefit between specific income levels. A decision is needed on the phase-out approach.

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**APPROVED / NOT APPROVED**

8. Requirement to file a tax return

A decision is needed on whether to require individuals to file an income tax return to be eligible for a payment.

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**APPROVED / NOT APPROVED**

9. Clawbacks for outstanding amounts

Many benefits provided through the income tax system are reduced by other outstanding payables a taxpayer may have with the government or with third parties who have a court order or other form of collection measure in place. These are commonly referred to as "set-offs."

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**APPROVED / NOT APPROVED**

10. Single parents – Amount of payment

The BC NDP platform commits to providing a \$1,000 payment to “families”, and a \$500 payment to “single people.” A decision is needed on whether single parents are treated as a “family” or as “single people” in calculating the amount of their payment.

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APPROVED / NOT APPROVED

11. Single parents – Income thresholds

The BC NDP platform commits to providing a \$1,000 payment to “families” between \$125,000 and \$175,000 of income, and to phasing out \$500 payments to “single people” between \$62,000 and \$87,000 of income. A decision is needed on whether to apply the “family” or “single people” phase-out scheme for single parents.

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APPROVED / NOT APPROVED

12. Satellite families

To be eligible for a payment, individuals will generally need to be resident (for income tax purposes) in BC on the date that eligibility is determined (see decision #18). s.13

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**APPROVED / NOT APPROVED**

**13. Minimum age**

A decision is required on the minimum age to be eligible for a payment.

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Tax credits such as the federal GST/HST tax credit or the BC climate action tax credit (CATC) are intended to provide relief from regressive taxes to those at the lowest income levels. The credit is available on the basis of family income, which recognizes that expenses for basic necessities of life are on the basis of the family unit, rather than at the individual level. The minimum age requirement for these credits is 19 years of age.

However, child benefits provided through the tax system (i.e. the Canada Child Benefit and the BC Child Opportunity Benefit) end at age 18,<sup>s.13</sup>

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The voting age in BC is 18.

The B.C. Emergency Benefit for Workers (EBW) and the Canada Emergency Response Benefit (CERB) require applicants to be over 15.<sup>s.13</sup>

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#### 14. Exceptions to minimum age

Decision #13 addressed the minimum age to generally be eligible for a benefit. This note seeks a decision on whether to create an exception to the minimum age in situations where a young person has a spouse or common-law partner, or a child who they reside with.

While the minimum age for income tax credits such as the federal GST/HST tax credit and the BC climate action tax credit is generally 19 years of age, these credits are also provided to younger individuals (with no age minimum) who have a spouse or common-law partner, or a child who they reside with.

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**APPROVED / NOT APPROVED**

**15. Prisoners**

A decision is needed on whether to provide the benefit to prisoners.

There are approximately 4,000 inmates at provincial and federal institutions in BC.

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**APPROVED / NOT APPROVED**



### 16. Deceased individuals

Decision #18 addresses the date on which eligibility for a payment is established. A further decision is needed on how to address situations where an individual who is alive on the eligibility date dies shortly thereafter.

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**APPROVED / NOT APPROVED**

### 17. Recipient of payment

A decision is needed on which member(s) within a family the \$1,000 payment will be provided to.

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Research by Frances Woolley, a Carleton University economics professor who specializes in gender and intra-household inequality, indicates that it makes a difference who receives benefits, and that money that goes to women is more likely to be spent in ways that benefit children. She states that support payments would be most effective if paid to mothers or vulnerable people within households.

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APPROVED / NOT APPROVED

18. Eligibility date

For the purposes of this benefit, a date would need to be chosen to determine whether an applicant qualifies for the benefit as of that date (e.g. for meeting age requirements, determining whether a taxpayer has a spouse, etc.).

For most income tax benefits, a taxpayer must be a British Columbia resident as at a certain date. Residency is based on a taxpayer's circumstances on that date.

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**APPROVED / NOT APPROVED**

**19. Application period**

It is expected that most eligible individuals will want to apply for their payment as soon as possible. However, some individuals may not hear about the payment right away and apply several months later.

A decision is needed on when to stop accepting applications for a payment. Without an end date, the Ministry would need to continue to allocate resources indefinitely to review applications.

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APPROVED / NOT APPROVED

20. Whether to allow income and disability assistance recipients to qualify for the benefit

Individuals who qualify for income and disability assistance are typically also eligible for income tax credits, such as the climate action tax credit and the child opportunity benefit.

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APPROVED / NOT APPROVED

21. Treatment of the benefit in income and disability assistance calculations

Income and disability assistance are income-tested benefits programs administered by the Ministry of Social Development and Poverty Reduction. Individuals who earn income over a threshold are ineligible for these benefit programs (or may see their assistance reduced).

A decision will be required by the Ministry of Social Development and Poverty Reduction on whether to deem this payment to be exempt income for the purposes of their benefits. If exempted, the payment will not reduce income assistance or disability assistance.

Similar tax credits (e.g. the climate action tax credit and the child opportunity benefit) are treated as exempt income. However, individuals on income assistance or disability

assistance are not eligible for the BC Emergency Benefit for Workers because they are eligible for a separate \$300 income or disability assistance supplement.

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## **No decision required by Ministry of Finance**

### **22. Access to taxpayer information**

Access to income tax information and ICBC's driver's license database, will be imperative for timely processing of applications. Verifying the identity of applicants will require the collection of several pieces of personal information including social insurance number (SIN), date of birth and legal name. Marital status and information about a spouse will also need to be collected to determine eligibility and calculate the payment amount. Select personal income tax information may also be collected to reduce the risk of fraudulent applications.<sup>s.13</sup>

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**APPROVED / NOT APPROVED****23. Delegation of powers**

All tax and benefit programs in Revenue Division permit the administrator to delegate powers to the administrator's staff or other officers of the Ministry of Finance in order to effectively administer programs. For example, the exercise of collection powers is delegated to the Executive Director, Receivables Management Office and each of his staff to certain limits under various programs.

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**APPROVED / NOT APPROVED****24. Duty to report income tax changes**

The payments proposed by the BC NDP platform are income-tested. This means that if a taxpayer's income changes as a result of being assessed by the Canada Revenue Agency (CRA), their eligibility for a payment may change.

A decision is needed on whether to require BC taxpayers to report to Revenue Division when they have been reassessed by CRA in a way that changes their entitlement to the benefit payment.

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**APPROVED / NOT APPROVED**

**25. Form of payment**

A decision is needed on the type of payments that can be made.

The Emergency Benefit for Workers (EBW) required that all payments be made electronically to a Canadian financial institution. Using electronic funds transfers (EFTs) reduced the need for taxpayers to go to their financial institution in person to deposit a cheque. There was also a significant cost savings to government as cheques are more expensive and require additional handling and mailing costs.

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According to 2017 World Bank data, 99.7 per cent of Canadians age 15 or older have an account with a financial institution.<sup>s.13</sup>

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**APPROVED / NOT APPROVED**

**26. Format of application**

A decision is needed on the format of applications.

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**APPROVED / NOT APPROVED****27. Interest payable by applicants**

Under taxing statutes, and many of the benefits statutes, applicants who are required to repay amounts of a benefit are required to pay interest to government.<sup>s.13</sup>

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Similar benefits paid by the Canada Revenue Agency charge interest if the benefit is required to be repaid.

Most BC tax statutes use the same rate and compounding rules for calculating interest (three percentage points above the prime lending rate of the principal banker to the Province. Currently the government's prime rate is 2.45 per cent, which means interest owing is charged 5.45 per cent).<sup>s.13</sup>

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**APPROVED / NOT APPROVED****28. Interest payable by government**

Many benefit programs paid through the tax system do not pay interest if there is a delay in making the payment. This recognizes the importance of the administrator exercising due diligence in the application review process.

The Emergency Benefit for Workers and Canada Revenue Agency-administered BC benefit programs do not pay interest. The former BC first-time new home buyers' bonus and the temporary education support for parents also did not pay interest.

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**APPROVED / NOT APPROVED**

29. Limitation period

Taxation programs ordinarily include a time limit after which the administrator may no longer redetermine a taxpayer's obligations. A limitation period ensures that the taxpayer is treated fairly, and is consistent with a taxpayer's reasonable expectation that their tax obligations will not be changed after a long period of time.

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**APPROVED / NOT APPROVED**

**30. Notice of Determination**

A Notice of Determination provides individuals with the administrator's evaluation of their application and calculation of their benefit<sup>s.13</sup>

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**APPROVED / NOT APPROVED**

**31. Offences and penalties**

Offences and penalties are often levied on applicants where there is fraud or negligence as part of the application for a benefit or filing of a tax return. In the *Income Tax Act*, both penalties and offences exist. s.13

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**Options:**

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APPROVED / NOT APPROVED

32. Appeals s.13

Most tax and benefit programs permit an applicant to appeal an administrator's decision to a different body. The standard first appeal for tax and benefit programs is to the Minister of Finance. Typically, applicants (or taxpayers) have 90 days from the date of a notice of assessment to object. Files are reviewed by the Tax Appeal and Litigation Branch of the Revenue Division, and a recommendation is prepared for the Minister or their delegate. Once the file has been reviewed and a decision made, the taxpayer can appeal the Minister's decision to the BC Supreme Court within an additional 90 days. Filing an objection with the Minister is simpler and less costly for both applicants and the administrator compared to seeking judicial review.

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**Options:**

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**APPROVED / NOT APPROVED**

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**33. Audit powers**

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**34. Collection powers**

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**APPROVED / NOT APPROVED**

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**35. Repeal by regulation**

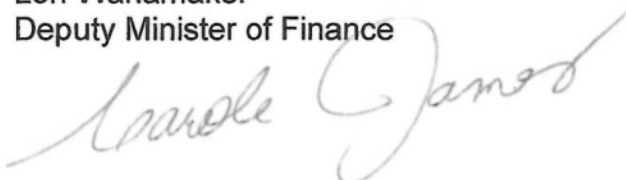
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**APPROVED / NOT APPROVED**



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Lori Wanamaker  
Deputy Minister of Finance



Nov 2, 2020

Date

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

**To:** Lori Wanamaker  
Deputy Minister

**Date Requested:** Nov. 13, 2020

**Date Required:** Nov. 17, 2020

**Initiated by:** Lori Wanamaker  
Deputy Minister

**Date Prepared:** Nov. 14, 2020

**Ministry Contact:** Richard Purnell  
Senior Executive Director  
Tax Policy and Intergovernmental  
Fiscal Relations Branch

**Phone Number:** 778-698-5864

**Email:** [Richard.Purnell@gov.bc.ca](mailto:Richard.Purnell@gov.bc.ca)

**Cliff #:** 396819

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**TITLE:** BC Recovery Benefit – Eligibility of individuals receiving income or disability assistance

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**PURPOSE:**  
**(X) DECISION REQUIRED**

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**DATE PREPARED:** November 14, 2020

**TITLE:** BC Recovery Benefit – Eligibility of individuals receiving income or disability assistance

**ISSUE:** What specific eligibility rules to apply for individuals receiving income assistance or disability assistance.

**BACKGROUND:**

The BC Recovery Benefit (BCRB) provides a one-time payment of up to \$1,000 for families and \$500 for single people. It is anticipated that applications for the BCRB will start being accepted in mid-December and will end on June 30, 2021.

Numerous decisions on the structure of the payments, including a decision to provide payments to individuals receiving income or disability assistance, were made on November 2, 2020 (CLIFF #396482)<sup>s.13</sup>

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Individuals who are on a number of SPDR programs other than income and disability assistance are also eligible to receive the \$300 dollar crisis supplement. These programs are:

- hardship assistance
- the comforts allowance, and
- BC Seniors' Supplement.

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**DISCUSSION:**

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Regardless of the approaches decided in this note, SDPR will subsequently need to make decisions about whether to include the BCRB when income-testing eligibility for assistance in the future.

#### *GBA + Highlights*

Single males are the largest population to receive both income and disability assistance, followed by single females. On average, there are around 55,000 single men on disability assistance versus around 40,000 single females every month, and 18,000 single men versus 10,000 females for income assistance.

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A handwritten signature in cursive script, appearing to read "LWanamaker", written in dark ink.

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Lori Wanamaker  
Deputy Minister of Finance

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November 20, 2020  
Date



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

**To:** Selina Robinson  
Minister of Finance

**Date Requested:** Nov 24, 2020  
**Date Required:** Nov 24, 2020

**Initiated by:** Deputy Minister of Finance

**Date Prepared:** Nov 24, 2020

**Ministry Contact:** Steve Hawkshaw  
Executive Director, Tax Policy

**Phone Number:** 778.698.5824  
**Email:** Steve.Hawkshaw@gov.bc.ca

**Cliff #:** 396892

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**TITLE:** Summary of the BC Recovery Benefit Policy Decisions

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**PURPOSE:**  
**(X) FOR INFORMATION**

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**DATE PREPARED:** Nov 24, 2020

**TITLE:** Summary of the BC Recovery Benefit Policy Decisions

**ISSUE:** A summary of the policy decisions made for the BC Recovery Benefit.

**BACKGROUND:**

The BC NDP's 2020 election platform contained a commitment to provide a one-time \$1,000 direct deposit to families whose household income is under \$125,000 annually – with a phase out up to \$175,000; and a one-time \$500 direct deposit to single people earning less than \$62,000 annually – with a phase out up to \$87,000.

The Premier has also committed to making payments before Christmas.

This note contains an executive summary of the policy decisions that have been made in order to stand the benefit payment up. These decisions were made via two decision notes (cliff# 396482 and cliff #396819). These decision notes contain further detail on all the decision summarized here. Other administrative issues such funding for staff resourcing and systems costs will be addressed in a separate note by Revenue Division.

**DISCUSSION:**

The policy decisions fall into three broad categories:

1. Decisions required to define the benefit
2. Decisions on non-routine administrative design
3. Decisions on routine administrative and enforcement rules

**1. Decisions required to define the benefit**

Additional decisions were required to flesh out the election commitment. Generally, these decision points determined out who qualifies for the benefit and how much a taxpayer will receive.

Key policy decisions included:

1. The benefit will be paid out as a tax credit through BC's *Income Tax Act*.  
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2. The income tax concept of “unadjusted net income” will be used for the purposes of the phase out range.

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3. The tax year for income testing will be the 2019 tax year.

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4. The start of the phase out range for individuals will be adjusted upwards from \$62,000 to \$62,500

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5. An individual will generally need to be 19 years old to qualify for the benefit, those under 19 will generally be treated as children and not qualify.

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6. Single parents will receive an enhanced benefit (up to \$1000 total) instead of the \$500 amount.

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7. Individuals with non-resident spouses will be treated as single individuals rather than families consistent with other tax credits.

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8. Recent immigrants to the province can qualify for the program.

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## 2. Decisions on non-routine administrative design

Additional decisions were required on the administration of the benefit where there was no standard approach or where the standard approach may not be appropriate in the circumstances. Generally, these decisions points lay out how and when a taxpayer will receive the benefit and impose some requirements on what is required to apply.

These included:

1. The benefit will be administered by BC's Revenue Division through an online application.

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2. Payment will be restricted to electronic fund transfers to Canadian financial institutions.

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3. Taxpayers will be able to apply for the program online or over the form, paper applications will generally not be available.

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4. The benefit payment cannot be garnisheed or set off to pay the debts of a taxpayer.

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5. The application period will run until June 30, 2020.

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6. Taxpayers will generally be required to file a 2019 income tax return to qualify.  
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### 3. Decisions on routine administrative and enforcement rules

Tax acts generally rely on a standard set of administrative rules and enforcement powers. For most tax programs the decision to introduce a benefit or credit will automatically adopt those rules and no decisions on them would be required. The *Income Tax Act* (the ITA) is somewhat of an outlier in that most of the act is in fact administered by the CRA on BC's behalf. The ITA's administrative provisions and rules generally assume the CRA is doing administration and are drafted to reflect this.

When a BC administered tax credit is created the standard rules need to be replicated to allow BC to administer the tax. A series of decisions was required to adopt the standard rules and powers. s.13  
s.13

Generally, these decision points lay out how the benefit will be administered and how enforcement will be conducted. These included:

1. Standard audit and collection powers will be adopted.  
s.13
2. Interest will be charged if an individual must repay the benefit.  
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3. Appeals to the Minister will be allowed for determinations made by Revenue Division.  
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4. There will be offences and administrative penalties for non-compliance, fraud, or tax evasion.  
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**Ministry of Finance**  
**BRIEFING DOCUMENT**

**To:** Honourable Selina Robinson  
Minister of Finance

**Date Requested:** November 24, 2020  
**Date Required:** November 26, 2020

**Initiated by:** Tara Richards

**Date Prepared:** November 26, 2020

**Ministry Contact:** Tara Richards  
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Policy & Legislation Division

**Phone Number:** 778 698-8711  
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**Cliff #:** 396941

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**TITLE:** Policy & Legislation Division – Key decisions & briefings - November 30<sup>th</sup>  
to December 18<sup>th</sup> 2020

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**PURPOSE:**

**(X) FOR INFORMATION**

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**COMMENTS:** The below briefings and decisions are requested of the Minister over the next three weeks.

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**DATE PREPARED:** November 26, 2020

**TITLE:** Policy & Legislation Division – Key decisions & briefings - November 30<sup>th</sup> to December 18<sup>th</sup> 2020

**ISSUE:** The Policy & Legislation Division has a number of key decisions and requested briefings over the next three weeks.

## DISCUSSION:

### Decisions/Briefings required week of November 30<sup>th</sup> to December 4<sup>th</sup>

Issue	Summary/Description
Federal Fiscal & Economic Update*	<ul style="list-style-type: none"> <li>Speculation is that the Federal Fiscal &amp; Economic Update scheduled for Monday, November 30<sup>th</sup> s.16</li> <li><b>Required:</b> Briefing after Monday's update. The Ministry will work with GCPE to provide speaking points for the media.</li> </ul>
First Minister's Meeting (FMM)	<ul style="list-style-type: none"> <li>The Premier is expected to participate in a First Ministers Meeting in the first 10 days of December (date to be confirmed) to discuss premiers' consensus request to increase federal Canada Health Transfer (CHT) funding to provinces/territories in 2021/22.</li> <li><b>Required:</b> s.16</li> </ul>
Federal Provincial Territorial (FPT) Finance Ministers Call	<ul style="list-style-type: none"> <li>There are generally phone calls every two-weeks with provincial/territorial counterparts hosted by the federal Minister of Finance, Chrystia Freeland.</li> <li>We believe the Minister will be invited to participate in the next scheduled FPT Ministers call on December 4th.</li> <li><b>Required:</b> Briefing in advance of the call with Minister and DM. Prior to the meeting, there will be a call for agenda items. The Ministry will provide suggested items and associated speaking points.</li> </ul>
Speculation & Vacancy Tax (SVT) Mayors Consultation	<ul style="list-style-type: none"> <li>The SVT Mayors Consultation was scheduled to take place virtually on September 29, 2020. As the date fell within the interregnum period following the call of the election, it was postponed.</li> <li>The <i>Speculation and Vacancy Tax Act (SVTA)</i> includes a requirement for the minister to conduct a consultation with mayors prior to December 31<sup>st</sup>.</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>Required:</b> s.13 s.13</li> </ul>
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\*new issue, not previously included in transition binder material

### Decisions/Briefings required week of December 7<sup>th</sup> to December 11<sup>th</sup>

Issue	Summary/Description
<i>Land Owner Transparency Act (LOTA) Regulation* (OIC)</i>  s.13	<ul style="list-style-type: none"> <li>• The <i>Land Owner Transparency Act</i> (LOTA) comes into force November 30<sup>th</sup>, 2020.</li> <li>• Under the current legislation, the Province will be required to file transparency declarations and to pay filing fees pursuant to the Act.</li> <li>• Proposed OIC exempts the Province from payment of filing fees. Depositing the OIC as soon as possible will limit the administrative burden of this issue and reduce costs to government.</li> <li>• <b>Required:</b> Briefing if requested, otherwise package can proceed for signing.</li> </ul>
	s.13
Federal Provincial Territorial (FPT) Ministers Meeting	<ul style="list-style-type: none"> <li>• An FPT Finance Ministers Meeting is scheduled to take place by mid-December (a bilateral meeting between the new minister and Freeland is recommended).</li> <li>• <b>Required:</b> Briefing in advance of the call s.16 s.16</li> </ul>
Ports Competitiveness Initiatives (OIC)	<ul style="list-style-type: none"> <li>• Under the Ports Competitiveness Initiatives certain port properties receive favourable property tax treatment.</li> <li>• Two regulations are required annually under the Ports Competitiveness Initiative, requiring direction and decision from the Minister:</li> </ul>



	<ul style="list-style-type: none"> <li>• Under the <i>Assessment Act</i> – Minister of Finance must advise if there are new folios to designate.</li> <li>• Under the <i>Ports Property Tax Act</i> - Minister of Finance must determine whether to amend existing regulation to include new properties.</li> </ul> <p>s.13</p> <ul style="list-style-type: none"> <li>• <b>Required:</b> To be in effect for 2021, approved OICs must be deposited by December 31, 2020.</li> </ul>
<i>Pension Benefits Standards Act</i> (PBSA) Regulation (OIC) – Target Benefit Plan Requirements	<ul style="list-style-type: none"> <li>• Target Benefit (TB) plans are required to demonstrate, at least every three years by filing a valuation report, that contributions are sufficient to fund plan liabilities on a going concern basis plus a provision for adverse deviation (PfAD) that reflects investment risk.</li> <li>• Half of the 33 collectively bargained multi-employer plans that have converted to TB since 2015 have made representations to the Ministry and the BC Financial Services Authority (BCFSA) about the size and volatility of the PfAD funding requirements.</li> <li>• In August 2020, the BCFSA established a TB PfAD Working Group to develop proposals for short-term relief and long-term reform.</li> <li>• The proposed OIC implements the BCFSA's recommendation to proceed with the Working Group's proposal for immediate short-term relief.</li> <li>• <b>Required:</b> The OIC must be deposited by December 27, 2020 (the deadline by which plans preparing valuation reports for a December 31, 2019 effective date are required to file) to prevent three plans from being required to reduce members' benefits on that date and to provide the relief equitably to all TB plans.</li> </ul>
Strata Insurance Report	<ul style="list-style-type: none"> <li>• In early 2020, government directed the BC Financial Services Authority (BCFSA) to conduct an in-depth review of strata insurance. An interim report was issued in June 2020.</li> </ul>

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	<ul style="list-style-type: none"> <li>• The final report was planned for release in the fall; however, the release was delayed by the election.</li> <li>• <b>Required:</b> Decision on timing for release of BCFSAs' final report on strata insurance.</li> </ul>
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\*new issue, not previously included in transition binder material

### Decisions/Briefings required week of December 14<sup>th</sup> to December 18<sup>th</sup>

Issue	Summary/Description
Budget 2021 – Tax Measures	s.13
Insurance Council Rule Amendment	<ul style="list-style-type: none"> <li>• In response to COVID-19, the Insurance Council of BC proposed and received Ministerial approval for an urgent amendment to the Insurance Council Rule 6 (1) to allow for some licensees to work outside of an agency office</li> <li>• This urgent order is set to expire December 19<sup>th</sup>, 2020.</li> <li>• The Insurance Council of BC will be requesting an urgent rule change to the existing Rule 6 (1) to extend this measure.</li> <li>• <b>Required:</b> Briefing if requested, otherwise package can proceed for signing.</li> </ul>
Capital Markets Authority Implementation Organization (CMAIO) & Cooperative Capital Markets Regulator (CCMR) Initiative	<ul style="list-style-type: none"> <li>• The CCMR project is an alternative to a national securities regulator with its basis in a Memorandum of Agreement (MOA) entered into by the federal government, British Columbia and Ontario (later joined by the Yukon, Saskatchewan, New Brunswick, Prince Edward Island, Nova Scotia, and Newfoundland).</li> <li>• A jointly created entity called the Capital Markets Regulatory Authority (CMRA) will be established that will administer all of the CCMR legislation in each jurisdiction. The CMRA will replace the BC Securities Commission (BCSC) as the securities regulator in BC.</li> <li>• Under the MOA, a Council of Ministers was created to oversee the regulator once operational and to oversee the transition. Currently the co-chairs of the Council are</li> </ul>

	<p>the BC Minister of Finance and the federal Minister of Finance.</p> <ul style="list-style-type: none"><li>• In 2015 a not-for-profit corporation, CMAIO, was established to facilitate the transition to and implementation of the CMRA. To date, it has been entirely funded by the federal government.</li><li>• The CCMR project has faced significant delays <sup>s.13;</sup> <sub>s.13; s.16</sub> <sup>s.16</sup></li></ul>
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**NOTE:** Timing of all OIC briefings is dependent on OIC tagged order from Legislative Counsel and Cabinet meeting dates, so those dates above could shift earlier or later.

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

**To:** Honourable Selina Robinson  
Minister of Finance  
**Date Requested:** November 30, 2020  
**Date Required:** November 30, 2020

**Initiated by:** Grant Holly  
Executive Director,  
Intergovernmental Fiscal Relations  
**Date Prepared:** November 30, 2020

**Ministry Contact:** Ariel Lade  
Director,  
Social Policy and Research  
**Phone Number:** 778-698-5269  
**Email:** ariel.lade@gov.bc.ca  
**Cliff #:**

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**TITLE:** Federal Fall Economic Statement 2020

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**PURPOSE:**  
**(X) FOR INFORMATION**

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**COMMENTS:** This note provides a preliminary summary and initial analysis of the Fall Economic Statement, tabled by the federal government on November 30, 2020.

The Department of Finance Canada will host a technical briefing on the Statement with provincial/territorial finance ministries on December 1, 2020.

B.C. Ministry of Finance staff will provide a supplementary note with additional information following that briefing, in consultation with Treasury Board Staff and relevant line ministries.

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**DATE PREPARED:** November 30, 2020

**TITLE:** Federal Economic Statement 2020

**ISSUE:** Preliminary summary and initial analysis of the federal Economic Statement 2020

**BACKGROUND:**

The Honourable Chrystia Freeland, Deputy Prime Minister and Minister of Finance, tabled the federal Economic Statement on November 30, 2020. This is the first update since the Economic and Fiscal Snapshot 2020 released on July 8, 2020. The federal government did not table a budget in spring 2020 due to the outbreak of the COVID-19 pandemic.

**DISCUSSION:**

*1. There is additional spending on measures related to COVID-19*

- The Statement includes new tax and spending measures targeted at three goals: (1) fighting COVID-19, (2) supporting Canadians through the pandemic, and (3) building back better. (A preliminary list of the measures is included in Appendix 1.)
- The federal government now estimates the costs of all COVID-19-related measures to be \$490.7B, up from an estimated \$403.3B in the July 2020 Snapshot.
- It suggests that the federal government is responsible for the vast majority of government spending on COVID-19-related measures in Canada, accounting for 82.7 per cent (\$490.7B) compared to 17.3 per cent for provincial/territorial governments (\$102.8B).

Table 1.1

**Canada's COVID-19 Economic Response – Federal, Provincial and Territorial Support**

	Federal	Provincial and Territorial	Total
<b>Impact (\$ billions)</b>			
Direct Measures to Fight COVID-19 and Support People	322.3	60.1	382.4
Tax Payment Deferrals	85.1	39.4	124.5
Credit Support	83.4	3.3	86.7
<b>Total</b>	<b>490.7</b>	<b>102.8</b>	<b>593.5</b>
<b>Share of Spending (per cent)</b>			
Direct Measures to Fight COVID-19 and Support People	84.3	15.7	100
Tax Payment Deferrals	68.3	31.7	100
Credit Support	96.2	3.8	100
<b>Total</b>	<b>82.7</b>	<b>17.3</b>	<b>100</b>

Notes: Provincial and territorial government announcements; Department of Finance Canada calculations. As of November 13, 2020. For federal totals, the data reflects the total impact which differs from fiscal cost on an accrual basis. Totals may not add due to rounding.

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2. *The federal government's sizeable deficit will decrease overtime and a plan to reduce it will be announced in the future*

- The Statement forecasts deficits over the forecast horizon. The 2020/21 deficit is now forecast to be \$381.6B, up from \$343.2B in the July 2020 Snapshot. The forecast will decrease to \$121.2B in 2021/22 and \$50.7B in 2022/23. These forecasts do not include forms of fiscal prudence, such as contingencies or reserves.
- The federal government commits to introducing new measures to accelerate recovery once the virus is controlled, by setting aside between 3-4 per cent of GDP, or \$70-100B, over the next three fiscal years. This additional spending has not been formally included in the federal government estimates for its deficits.
- Before including this stimulus spending, federal debt-to-GDP is projected to be 50.7 per cent in 2020/21, 52.6 per cent in 2021/22 and 52.1 per cent in 2022/23.

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*B.C. Context:* As of Q1, BC's deficit projection for 2020/21 is \$12.8B, after incorporating contingencies and reserves. B.C.'s taxpayer-supported debt-to-GDP ratio is projected to be end in 2020/21 at 20.8 per cent, 5.3 per cent points higher than forecast in *Budget 2020*.

3. *The government will develop a post-COVID stimulus program*

- The Statement commits to a major stimulus program of \$70-100B over roughly three years beginning in 2020/21.
- The program will be developed over the coming months, ahead of *Budget 2020/21*. It is to focus on building a greener, more inclusive, more innovative and competitive economy.
- The federal government will only withdraw the program when the economy has recovered, which will be determined according to yet to be defined "fiscal guardrails".

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4. *Some of the new measures include notable fiscal transfers to B.C.*

- The only major federal-provincial-territorial transfer to see important changes is the Fiscal Stabilization Program, which provides protection to provinces in the event of extraordinary year-over-year declines in revenues.

*B.C. Context:* A change in the cap on provincial entitlements means that the maximum entitlement for B.C. in 2020/21 will increase from \$309M to \$857M – an increase of \$566M.

- While there are no changes to the Canada Health Transfer, the Statement does indicate:

*"The scope of federal direct support to each province and territory to maintain resilient health care systems has been unprecedented. As a result of the Safe Restart Agreement alone, federal health support for provinces and territories is up by over 23 per cent relative to the previous fiscal year's Canada Health Transfer."*

*B.C. Context:* B.C. has joined other provinces/territories, as part of the Council of the Federation, in calling for the CHT to be increased by \$28B in 2021/22, with an ongoing target of 35 per cent of PT spending. The CHT will be discussed at the First Ministers' Meeting, tentatively scheduled for December 10, 2020.

- Other relevant announcements included:

*Safe Long-term Care Fund*

- Purpose: to help provinces and territories protect people in long-term care and support infection prevention and control.
- Allocation: equal per capita
- Conditionality: funding contingent on a detailed spending plan; conditional on PTs demonstrating that investments have been made according to those spending plans.
- Examples of uses: carrying out infection prevention and control readiness assessments, making improvements to ventilation and hiring additional staff or topping up wages.

#### *Strategy for High-cost Drugs for Rare Diseases*

- Purpose: To ensure more effective assessments of drugs' efficacy, better manage costs, and expand coverage and access for patients impacted by rare diseases.
- Details: Health Canada will be setting out options for this strategy and will engage with
- provinces, territories, patients, industry and other interested groups to confirm the path forward.

#### *Personal Protective Equipment (PPE)*

- This is not a cash transfer but a commitment to spend an additional \$1.5 billion relating to PPE, including the cost of warehousing. PPE will be made available to PTs as in-kind contributions, but also to indigenous groups and others.

#### *Supporting Provincial and Territorial Job Training Efforts as Part of COVID-19 Economic Recovery*

- Purpose: To help Canadians in underrepresented groups and those in sectors that have been hardest hit by the pandemic – such as construction, transportation, and hospitality – quickly access supports to re-enter the workforce.
- Examples of uses: Skills training, on-the-job training, employer-sponsored training, financial assistance and benefits, employment counselling and services, and job opportunities.

(note: *This is not a new announcement but a re-announcement of Workforce Development Agreements.*)

#### *Rapid Housing Initiative*

- Purpose: For construction of modular housing, as well as the acquisition of land and conversion of existing buildings into affordable housing units.
- Administration: To be managed by the Canada Mortgage and Housing Corporation
- Eligible bodies: municipalities, PTs, Indigenous governing bodies and organizations and non-profit organizations.

### **Estimated Impact on B.C. of Transfer Announcements**



	National Impact	BC Impact
Fiscal Stabilization Program	Not specified	Up to \$566M in 2020/21
Safe Long Term Care Fund	\$1.0B	\$135M
Strategy for High-cost Drugs for Rare Diseases	\$500M/year, starting in 2022/23	TBD (\$68M if EPC)
Personal Protective Equipment (in kind contributions)	\$1.5B	TBD
Supporting Provincial and Territorial Job Training Efforts as Part of COVID-19 Economic Recovery <i>(this is a re-announcement of the Workforce Development Agreements announced on Nov. 13<sup>th</sup>)</i>	\$1.5B	\$212M
Rapid Housing Initiative	\$758M in 2020/21 \$258M in 2021/22	TBD

- While not a transfer to PTs, the federal government now estimates that the Canada Emergency Commercial Rent Assistance (CECRA) for Small Business will cost \$2.161B, with PTs picking up \$507M of the cost; this is down from the summer Snapshot, which estimated the cost to be \$2.974B, with PTs picking up \$569M of the cost.

#### **POINTS TO REGISTER WITH THE FEDERAL GOVERNMENT:**

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## **APPENDIX 1**

### **New Spending Measures**

#### *Fighting COVID-19*

- Support for Indigenous Communities, including:
  - \$380M for the Indigenous Community Support Fund, in 2020/21
  - \$333M to offset indigenous own-source revenues, in 2021/22
- Testing and Contact Tracking (\$779M in 2020/21, \$569M in 2021/21)
  - Innovative Research and Support for New Testing Approaches and Technologies
  - Supporting and Sustaining the Public Health Agency of Canada and Health Canada's Pandemic Operations
  - Canadian Digital Service
- Personal Protective Equipment (PPE)
  - Additional PPE Procurement and Support for the Storage and Warehousing of PPE (\$1B in 2020/21, \$1.7B in 2021/22)
  - GST/HST Relief on Face Masks and Face Shields (\$20M in 2020/21, \$75M in 2021/22)
- Additional funding through Reaching Home: Canada's Homelessness Strategy to prevent the spread of COVID-19 in shelters (\$299M in 2021/22)
- Extension of the Mandatory Isolation Support for Temporary Foreign Workers Program (\$34M in 2020/21)
- Investments in Long-Term Care (\$506M in 2020/21, \$503M in 2021/21)
- Supporting Distress Centres and the Wellness Together Canada Portal (\$93M in 2020/21)
- Supporting Canadians struggling with Substance Use Disorder (\$21M, in 2020/21, \$45M in 2021/22)
- Further Support for the Canadian Red Cross' Response to COVID-19 (\$35M in 2020/21) and \$84M in 2021/21 for the Red Cross' Civilian Humanitarian Workforce
- Further Enhancing Public Health Measures in Indigenous Communities (\$537M in 2020/21, \$94M in 2021/21)
- Supportive Care in Indigenous Communities (\$64M in 2020/21, \$123M in 2021/21)

#### *Supporting Canadians through the Pandemic*

- Canada Emergency Wage Subsidy Extension (\$14.8B in 2020/21)
- Canada Emergency Rent Subsidy and Lockdown Support Extension (\$2.2B in 2020/21)
  - Provisional Estimate for Canada Emergency Wage Subsidy and Canada Emergency Rent Subsidy for April to June 2021 (\$16.2B in 2021/22)
- Additional Investments in this Statement for the Regional Relief and Recovery Fund (\$165M in 2020/21 and \$88M in 2021/21)
- Support for Workers in the Live Events and Arts Sectors (\$182M in 2021/22)
- New investments to support Canada's Broadcasting System (\$50M in 2020/21)

- Support for the Air Sector (\$388M in 2020/21 and \$540 in 2021/22), including:
  - Regional Air Transportation Initiative
  - Airports Capital Assistance Program
  - Support for Critical Infrastructure at Large Airports
  - Airport Rent Relief
  - Support for Airport Authorities
- A new Strategic Innovation Fund to help support large-scale transformative projects led by innovative firms and industries across the Canadian economy. (\$250M over 5 years starting with \$97M in 2021/22)
- Funding for VIA Rail Canada Inc. (\$188M in 2021/22)

*Building Back Better: A Plan to Conquer the COVID-19 Recession*

- Training Supports for Vulnerable Populations (\$224M in 2021/22, \$35M in 2022/23)
- The creation of a task force to work on an Action Plan for Women in the Economy (\$300,000 in 2020/21 and \$600,000 in 2021/22)
- Towards a Canada-wide Early Learning and Child Care System (\$509M in 2021/22, \$18-20M until 2025/26)
  - Federal Secretariat on Early Learning and Child Care
  - Sustaining the Indigenous Early Learning and Child Care Secretariat, and building Indigenous Governance Capacity
  - Supporting the Early Childhood Educator Workforce
  - Improving the Quality and Accessibility of Indigenous Child Care Programs
- Immediate Support for Families with Children (\$580M in 2020/21 and \$1,775M in 2021/22)
- Creating Opportunities for Youth (\$1,284M in 2021/22)
  - Enhancing Canada Summer Jobs funding
  - Youth Employment and Skills Strategy
  - Eliminating Interest on Canada Student Loans (Net)
- Compensation for supply-managed dairy, poultry and egg farmers (\$1.4B in 2020/21, more than \$100M annually thereafter)
- Fighting Systemic Racism and Building Communities (\$4M in 2020/21, \$55M in 2021/22)
- Supporting Skilled Newcomers - Foreign Credential Recognition Program (\$15M in 2021/22)
- A Competitive, Green Economy (\$4.7B by 2025/26), including:
  - Home Energy Retrofits
  - Zero Emission Vehicle Infrastructure
  - Incentives for Zero-Emission Vehicles Program Top-up
  - Nature Based Climate Solutions: Planting 2 Billion Trees
  - Nature Based Climate Solutions: Climate Smart Ecosystems
- Reconciliation (\$2.5B by 2025/26)
  - Supporting Water and Wastewater Infrastructure in First Nations Communities

- Supporting Infrastructure in Indigenous Communities
- Supporting a National Action Plan for Ending Violence
- Co-Development of Distinctions-Based Health Legislation
- Mercury Treatment Centres
- Supporting a National Action Plan for Ending Violence against Indigenous Women, Girls and LGBTQ and Two- Spirit People

### New Tax Policy Measures

#### GST/HST Relief on Face Masks and Face Shields

- The federal government proposes a temporary zero-rating of face masks and face shields, which will effectively eliminate GST/HST on these face coverings until such time as they are no longer broadly recommended by public health officials for the COVID-19 pandemic.
- The zero-rating would apply prospectively to supplies made after December 6, 2020.
- Most medical supplies—including face coverings—are subject to B.C.'s provincial sales tax at a rate of 7 per cent.

#### Application of the GST/HST in Relation to E-commerce Supplies

- The federal government proposes a series of changes to the GST/HST system to ensure the tax applies fairly and effectively in the digital economy. Broadly, these measures are intended to address inequities in how the tax applies to transactions based on the resident or non-resident status of the vendor.
- The measures include:
  - New registration requirements for non-resident suppliers of digital products or services, and to operators of platforms that distribute these products or services;
  - New registration and tax collection rules for goods supplied through fulfillment warehouses;
  - Consistent application of GST/HST to platform-facilitated supplies of short-term accommodation.
- Notably, no measures targeted tangible goods shipped directly to Canadian customers by non-resident suppliers. While some jurisdictions have attempted to compel non-resident suppliers to collect sales taxes on such supplies, it appears that for the time being, Canada will continue to rely on its approach of collecting these taxes at the point of import (e.g. using Canada Border Services Agency).
- A July 1, 2021 implementation date is proposed for the e-commerce rule changes and the federal government is accepting feedback on the proposals and accompanying draft legislation until February 1, 2021.
- B.C.'s provincial sales tax system includes rules similar to those announced by Canada.
  - New PST registration requirements for non-resident suppliers of software and telecommunication services are set to take effect April 1, 2021.

- Non-resident PST registration requirements related to fulfilment houses located in B.C. were added in 2015.
- PST registration rules for platform-facilitated supplies of short-term accommodation were added in 2018.

#### Treatment of Stock Options

- Further to its June 2019 announcement, Canada is proposing changes to how employee stock options are taxed as income. The preferential treatment under the existing employee stock option deduction will be limited to \$200,000 annually. However, this new limit will not apply to Canadian Controlled Private Corporations or employers with gross revenues less than \$500 million. The new policy is a compromise between tax fairness (the \$200,000 limit) and maintaining incentives for start-up and emerging companies. Canada determines the tax base for BC's income tax. As a result, there will be no change to the way employers or employees calculate taxable income for BC income tax purposes. However, as a result of the proposals, BC corporations will be limited by the amount of the deduction available for stock options.

#### Tax auditing

- Canada announced a budget lift of \$120 million annually for Canada Revenue Agency to conduct more audits targeting international tax evasion and aggressive tax avoidance. This is on top of the \$350 million annual lift which began in 2016. BC benefits to the extent that Canada can find more income which should be subject to tax in BC.

#### Expansion to Canada Child Benefit

- Canada will enhance the Canada Child Benefit (CCB) for families with young children for the payment year beginning July 1, 2021.
- The enhancements are for families with children under the age of 6, with amounts of \$1,200 per child under the age of 6 for family with net income less than \$120,000 and \$600 for otherwise eligible families with income above \$120,000.
- The CCB is a non-taxable benefit that is paid monthly and provides support for eligible families with children under the age of 18. The CCB is based on adjusted family net income with the benefit phase-out rate depending on the number of children in the family. For the 2020-21 benefit year (July 1, 2020 to June 30, 2021), the CCB provides a maximum benefit of \$6,765 per child under the age of six and \$5,708 per child aged six through 17. Families with less than \$31,711 in adjusted net income in 2019 receive the maximum benefit for the 2020-21 benefit year. The phase-out rates and income thresholds are indexed to inflation annually.
- BC families eligible for the CCB will benefit from the enhancement without affecting their BC child opportunity benefit (BCCOB) payments.
- The BCCOB is a tax-free monthly payment to families with children under the age of 18. The amount is combined with the CCB into a single monthly payment. For October 2020 to June 2021, families may receive up to \$133.33 per month for the first child, \$83.33 per month for the second child and \$66.66 per month for each additional child. The amount is reduced if the adjusted family net income is more

than \$25,000. CCB is not included in net income and therefore, the increase to the CCB will not affect the amount under the BCCOB.

#### Vacant Homes Tax

- Canada will take steps over the coming year to implement a national, tax-based measure targeting the unproductive use of domestic housing that is owned by non-resident, non-Canadians, which removes these assets from the domestic housing supply.
- No details about the design of the tax are provided.

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