

Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

Date Requested: June 25, 2021
Date Required: July 2, 2021

Initiated by: Heather Wood
Deputy Minister

Date Prepared: June 25, 2021

Ministry Contact: Andrew Lee
Strategic Advisor

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Tax Policy and Intergovernmental
Relations Branch

Cliff #: 486484

TITLE: Increased Employment Incentive Status

PURPOSE:
(X) FOR INFORMATION

COMMENTS: To provide a status update on the Increased Employment Incentive

DATE PREPARED: June 25, 2021

TITLE: Increased Employment Incentive Status

ISSUE: Statistics for Increased Employment Incentive

BACKGROUND:

The Increased Employment Incentive (IEI) was announced on September 17, 2020 as part of BC's Economic Recovery Plan. The intention of the program is to encourage employers to rehire employees who may have been laid off due to COVID-19, to reinstate pay for individuals who experienced pay cuts due to COVID-19, to increase hours to employees, and to create new jobs. This was a broad based measure available to all sectors regardless of the level of effect COVID-19 had on business operations.

The IEI provides a refundable tax credit to employers that increase their payroll for low- to middle-income workers. The credit is calculated as 15 percent of the amount by which qualifying BC remuneration in the fourth quarter of 2020 exceeds base BC remuneration in the third quarter of 2020.

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DISCUSSION:

As at the of end of the day on June 24, 2021, the IEI made payments of \$7.1 million to 1,553 approved applicants. Further statistics on the industry breakdown and number of employees benefiting from this initiative are included in the appendices.

The industry benefiting the most from the IEI was the retail sector. This is due to the hiring for the holiday season. Employers in the retail sector received in aggregate the largest proportion of the benefit and increased the remuneration to employees and/or hired the most employees.

Businesses with more than 100 employees account for 4.3 per cent of recipients. Approximately 78 per cent of businesses that received the benefit have 25 or fewer employees.

Based on information from Statistics Canada, the BC economy recovered approximately 50,000 jobs between the September and December 2020 ^{s.13}

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However, information from the applications reveals that BC

employers have applied for the IEI in respect of only 20,000 workers. This is a combination of employees being hired/rehired and employees receiving higher remuneration.^{s.13}

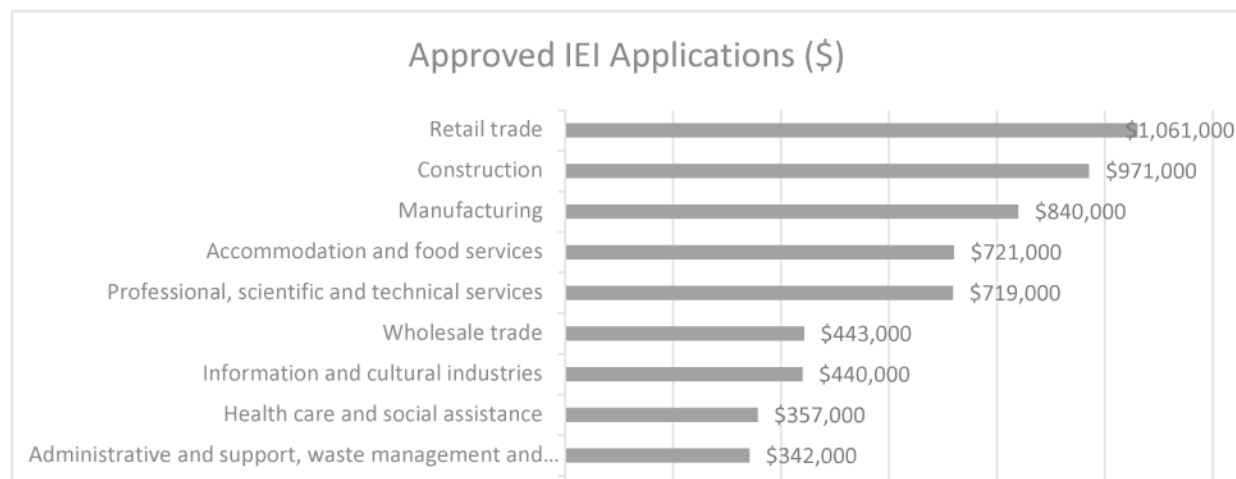
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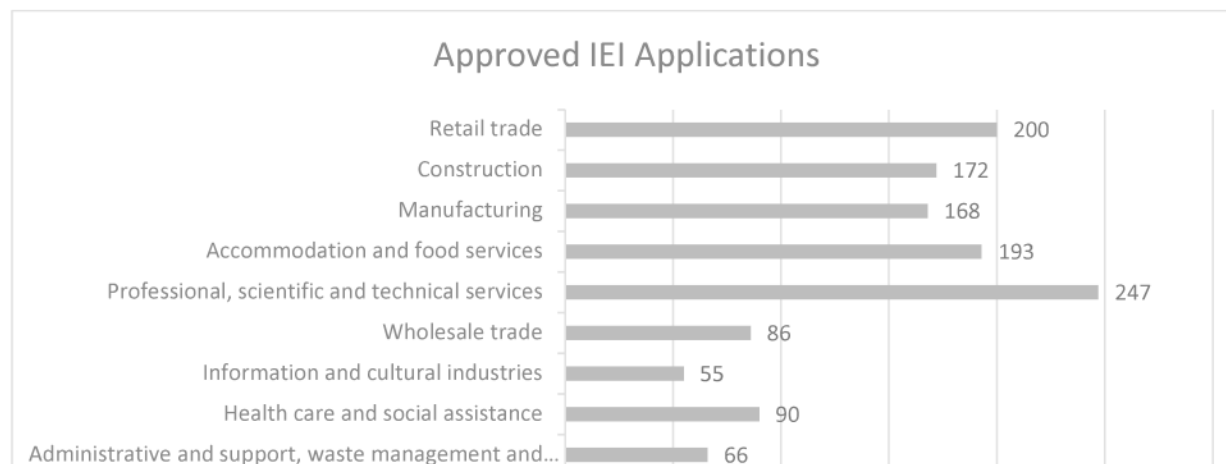
Appendix A:

Value of IEI provided to applicants by industry sector as at June 24, 2021



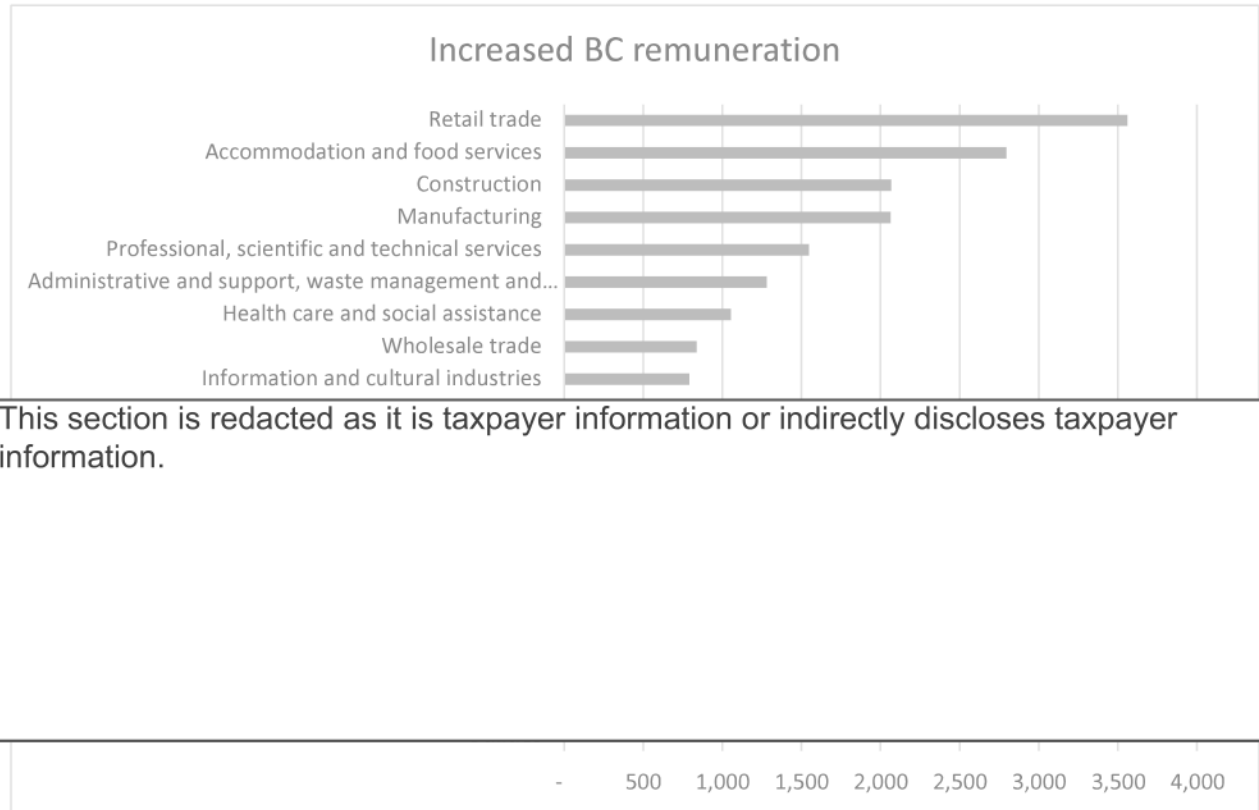
This section is redacted as it is taxpayer information or indirectly discloses taxpayer information.

Number of approved IEI applications by industry sector as at June 24, 2021



This section is redacted as it is taxpayer information or indirectly discloses taxpayer information.

Number of new employees and number of employees who received increased remuneration



Ministry of Finance
BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

Date Requested: June 29, 2021
Date Required: July 16, 2021

Initiated by: Stephen Hawkshaw
Executive Director
Tax Policy Branch

Date Prepared: June 30, 2021

**Ministry
Contact:** Grant Guenther
Strategic Advisor
Tax Policy Branch

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Cliff #: 486523

TITLE: Property Assessed Clean Energy (PACE)

PURPOSE:

(X) FOR INFORMATION

COMMENTS:

DATE PREPARED: June 30, 2021

TITLE: Property Assessed Clean Energy

ISSUE: To provide background information and context related to a proposed Property Assessed Clean Energy (PACE) program and the involvement of the Ministry of Finance.

BACKGROUND:

PACE (Property Assessed Clean Energy) is a method of financing residential and commercial property energy upgrades through the property tax system. Under PACE, a local government (or other third party) will arrange financing for energy retrofits. This financing is then secured as a tax lien against the property and incrementally paid down through annual tax payments.

PACE programs became popular in the United States after 2008 as a means of encouraging homeowners to undertake energy retrofits. The use of tax liens was considered an innovative way for cities and states to secure the loans and were required to raise the capital to provide the loans given the risky nature of the property market in the US.

PACE programs have been implemented in several other North American jurisdictions including Toronto and Nova Scotia.^{s.13}

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¹ <https://www.bloomberg.com/news/features/2021-04-06/the-subprime-solar-trap-for-low-income-homeowners>

² <https://www.tampabay.com/news/business/2021/02/08/florida-bill-seeks-to-expand-controversial-pace-programs/>

³ <https://www.propublica.org/article/missouri-pace-loans>

⁴ <https://www.youtube.com/watch?v=zv8ZPFOxJEc>

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The implementation of a PACE program is included in the mandate letters for both the Minister of Municipal Affairs and Housing (MUNI) and Minister of Energy, Mines, and Low Carbon Innovation (EMLI)). Specifically, the mandate letter for the Minister of MUNI states to “support the work of the Minister of Finance to establish Property Assessed Clean Energy financing.” However, there is no mention of establishing a PACE program in the mandate letter for the Minister of Finance (FIN).

Shortly after the new mandate letters were issued, EMLI and the Ministry of Environment and Climate Change Strategy (ENV) undertook a request for proposal to conduct an assessment of a potential PACE program in BC. The subsequent consultant’s report^{s.13}

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Tax Policy Branch and staff at MUNI^{s.13}

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DISCUSSION:

The stated goals of PACE programs are to enable property owners to make energy-saving improvements on their property through easy access to capital. ^{s.13}

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PACE tends to be targeted to residential homeowners to make energy efficient upgrades, but it can apply to either residential or commercial properties. ^{s.13}

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s.13; s.16

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

Date Requested:
Date Required: July 12, 2021

Initiated by: Keith Preston
Director, Consumption Tax
Tax Policy Branch

Date Prepared: July 08, 2021

Ministry Contact: Alex Nagelbach
Strategic Advisor
Tax Policy Branch

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CLIFF#: 486653

TITLE: Implementing Measures to Address PST Refunds on Grey Market Vehicle Transactions

PURPOSE:

(X) DECISION REQUIRED

DATE PREPARED: July 08, 2021

TITLE: Implementing Measures to Address PST Refunds on Grey Market Vehicle Transactions

ISSUE: *Budget 2021* announced two tax measures to address the high volume of PST refunds related to grey market vehicle transactions. A decision is required on when to implement the measures.

BACKGROUND:

Budget 2021 announced two tax measures to reduce unusually high volumes of PST refund claims related to grey market vehicle transactions:

- 1) Effective on a date to be set by regulation, the PST refund for motor vehicles purchased in BC and resold within seven days¹ will be eliminated.
- 2) Persons who purchase vehicles in BC will be deemed to have purchased the vehicles for their own use, and not for resale,² unless they represent otherwise to the seller at the time of purchase.

These measures are part of BC's actions to address areas of risk for money laundering as detailed in the Peter German report.

Grey market vehicle transactions often involve exporters who arrange for vehicles to be purchased from dealers in BC for export to customers overseas. Because most franchised dealers are contractually prohibited from selling vehicles to resellers or exporters, the exporters attempt to conceal their activities by using third parties to physically purchase the vehicles as though they intend to personally use them. Claiming an exemption at the point of sale would be an obvious sign that the vehicles are being purchased for resale and most dealers would refuse to conclude such sales. Therefore, the purchasers pay the PST at the point of sale and claim refunds directly from the Ministry of Finance.

¹ While this refund once served a purpose, it is no longer necessary because the PST system includes separate refunds for vehicles returned to their sellers. Individuals involved in grey market transactions are taking advantage of this refund provision to receive PST refunds. Removing the provision should significantly limit refund activity related to grey market transactions.

² PST does not apply to goods purchased solely for resale. Under the current rules, a person who intends to resell a vehicle could claim a PST exemption by informing the dealer of the vehicle of their intentions. However, many dealers will not sell vehicles to resellers. For this reason, "grey market" purchasers who intend to resell vehicles do not state their intentions to the dealer, pay the PST and apply to the government for a refund. The changes announced in *Budget 2021* maintain the longstanding exemption for resale inventory but close the refund process to the type of "grey market" activity described in Peter German's money laundering report.

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DISCUSSION:

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Selina Robinson
Minister of Finance

July 19, 2021

Date

Ministry of Finance

BRIEFING DOCUMENT

To: Honourable Selina Robinson
Minister of Finance

Date Requested: July 20, 2021

Initiated by: Tiffany Ma
Assistant Deputy Minister of Finance

Date Updated: July 20, 2021

**Ministry
Contact:** Carol Bishop
Executive Director
Crown Agencies

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Cliff #: 486871

TITLE: CBA Amendment to add Cowichan District Hospital Replacement Project
Appendix

s.13; s.17; s.21

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Withheld pursuant to/removed as

s.13 ; s.17 ; s.21

Page 3 of 4

Withheld pursuant to/removed as

s.12 ; s.13 ; s.16 ; s.17 ; s.21

s.13; s.17; s.21



Selina Robinson
Minister of Finance

July 22, 2021

Date