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Ministry of Finance

TAX RELIEF, SOUND FISCAL MANAGEMENT TO BOOST ECONOMY

VICTORIA – British Columbia’s public services depend on a healthy economy, which demands a competitive tax system and better fiscal management, Minister of Finance Gary Collins said today. To that end, the minister announced a business tax cut package to complement the 25 per cent personal income tax cut unveiled in June and laid out a fiscal management strategy with his fiscal update for 2001-02.

“Only a province with a vital, vibrant economy can afford high-quality public health and education,” said Collins. “That’s why it’s so essential to get our economy back on track.”

Collins noted that, since the March 15 budget, the provincial revenue projection has fallen by \$1.85 billion, partly due to focused tax reductions as well as lower energy and electricity prices and a slowing U.S. economy. At the same time, projected expenditures have risen \$455 million, mainly because the government disclosed a number of expenditures, including Pharmacare, that weren’t fully recognized in the budget. As a result, the summary accounts deficit stands at \$1.5 billion.

“If we don’t do something now, over time B.C. will wither away and end up being a have-not province, without the strength to provide quality public services,” said Collins. “Today, we’re moving forward with another key to prosperity – tax reductions designed to increase investment, revitalize industries like logging, mining and transportation and strengthen emerging sectors like high tech.”

Details of today’s tax cuts, which will inject \$248 million back into the economy this year, include:

- Effective July 31, production machinery and equipment bought by eligible manufacturers – and by logging, mining and energy-sector businesses – will be exempt from provincial sales tax. This will replace the existing investment tax credit for an overall saving to business of \$87 million this year.
- The corporate capital tax rate on non-financial institutions will be cut in half on Sept. 1, saving businesses \$100 million this year. This tax will be eliminated one year later.
- The corporation income tax rate falls to 13.5 per cent from 16.5 per cent on Jan. 1, 2002, and the government will strive to keep the rate competitive in the future.
- To help the province’s airports, on Aug. 1, the domestic jet fuel tax rate will fall to two cents a litre from five and the aviation fuel rate, two cents a litre from three.
- On Aug. 1, the seven per cent tax on bunker fuel will be eliminated, which will make British Columbia ports more attractive to cruise ships and other large vessels.

- To encourage exploration for new mines, on July 31, British Columbia will introduce a 20 per cent flow-through share credit modelled on a similar federal credit. The existing mineral exploration tax credit will remain for those who don't use flow-through shares.
- As of tomorrow, the threshold at which the passenger vehicle surtax is introduced will be \$47,000 – up from \$32,000.

“I believe these reductions, combined with our personal tax cuts and other policy and regulatory changes, will boost B.C.’s economy this year and set the stage for even more significant growth next year,” said Collins. “These business tax cuts are a sound investment in our future that will pay dividends. And anyone who doubts that only has to look at the impact of our personal tax cut.”

On June 6, the government announced a 25 per cent cut in provincial personal income tax. Since then, the Conference Board of Canada has reported a 20 per cent increase in its B.C. consumer confidence index, compared to a three per cent national rise.

After reiterating the government’s commitment to preserving the health and education budgets presented in March, the minister outlined building blocks on which the government will construct a comprehensive, three year fiscal plan to be introduced with next year's budget. These measures include the government’s core services review, which will examine every program and service to ensure public resources are focused on the most important needs, and the introduction of key pieces of legislation.

Key legislation introduced today includes the Balanced Budget and Ministerial Accountability Act, which ties ministerial salaries to budget targets and requires a balanced budget by 2004-05. As well, the amended Budget Transparency and Accountability Act will see the province move to implement generally accepted accounting principles and will ban the use of special warrants in all cases but natural disasters and post-election periods.

“With all its advantages, British Columbia should be leading the country in economic growth,” said Collins. “With sound fiscal management, clear priorities and bold, innovative changes, we can truly deliver on the promise of a new era of hope and prosperity for all of us, in the best province, in the best country, anywhere in the world.”

The finance minister also tabled the public accounts, debt statistics and preliminary financial and economic review reports. The public accounts are audited financial results for the last fiscal year. The debt statistics report provides detailed information for the 2000-01 fiscal year on the makeup of the provincial debt and how government manages it. The preliminary financial and economic review provides a description of the province’s economic performance in 2000 and explains the financial performance of the government and Crown corporations for the 2000-01 fiscal year.

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