

Behind the Counter – March 10, 2010

Budget commentary

Last week saw both the BC Budget and the Federal Budget being presented to the public. The BC Budget can be viewed in detail at <http://www.bcbudget.gov.bc.ca/2010/>. The document was presented just after the Winter Olympic Games held in Vancouver and the surrounding area so a good portion of the document focuses on the perceived success of the games. However, there has not been a public release of the accounting for the games as yet, so we don't know the financial result.

The BC budget has increased per pupil funding to schools and increased funding for health care. As we all know, throwing money at something doesn't necessarily make it any better. The plan is to allocate all the money's received from the HST in July towards health care as well as tobacco taxes, lottery revenues and MSP premiums. The BC budget indicates that the property tax rebates will increase and families will be able to defer their property taxes. Families are estimated to be able to receive up to \$770 a year towards their property taxes, while seniors would receive up to \$1045 a year.

The BC budget plans to return to a balanced budget by 2013/14. Currently, BC is following its plan to create jobs by funding capital projects for social housing, hospitals, roads and community facilities. A rural home owner benefit will be available beginning in 2011 that will provide \$200 per home over and above the home owner grant.

The BC budget continues to focus on providing support for low income families and intends to continue to invest funds into child care subsidies. Also expected is an investment into youth sports and a smaller investment into arts and culture. This September there will be a phase in of a full day kindergarten for five year olds.

The Federal Budget was released last Thursday and can be viewed at <http://www.budget.gc.ca/2010/home-accueil-eng.html> . The federal budget continues with the Economic Action Plan for the second year which is to be wound down. In order to achieve some savings, the government is undertaking a comprehensive review of administrative functions and overhead to identify where it can cut to achieve savings. The federal budget does not address the almost 400 outstanding technical tax changes to the income tax act. However, the budget continues to support the initiative to reduce

small business tax rates to 15% by 2012 and continues to strive to reduce personal tax rates.

Some of the changes to watch out for are that cosmetic medical procedures will now be subject to GST and will not be deductible for tax purposes. Post secondary programs that are primarily for research will not be eligible for the Education tax credit unless they lead to a diploma or a bachelor or masters degree. There are some very significant and complex changes to employee stock options that would require too lengthy of an explanation to repeat here.

If parents share custody of a child or children, they will now be entitled to each receive half of the Child Tax Benefit, Universal Child Tax Care benefit and the child component of the GST/HST credit. The single parent can now include the universal child tax credit benefit amount in their income, or in one of the children's income. Upon the death of a contributor, their RRSP can be rolled over to an RDSP of an existing child or grandchild tax free as long as there is contribution room in the RDSP.

Charitable organizations can now accumulate capital up to 100,000. There were some changes to capital cost allowance with respect to clean energy and satellite equipment. Network sellers that use the commission based model (multi-level marketing) such as Amway, Nikken, Tupperware, Regal, Avon can apply to use a special GST/HST accounting method.

Both budgets indicate that new ways of saving money and reducing expenditures need to be found. I am wondering if someone is beginning to figure out that the taxes the government makes on tobacco and alcohol are no where near enough what is needed to combat the effects of long term use of these substances on people through the health system. I think it would be a worthwhile exercise to compare the tax revenues from one person using these substances against that same person's expense as they travel through the health care system when the use of the substances have finally taken their toll on the body.

The Certified General Accountants association has an excellent article on the federal budget that can be viewed at http://www.cga-canada.org/en-ca/ResearchAndAdvocacy/FederalBudget/2010/Pages/_ca_fb_2010_index.aspx

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