BC CHAMBER OF COMMERCE

Submission to the

B.C. Commission on Tax Competitiveness

August 17, 2016

The Chamber is the widest and broadest-based business organization in the province. Representing the views of 125 local chambers of commerce and boards of trade, the BC Chamber is the voice of over 36,000 businesses from every size, sector and region of the province. The BC Chamber is "The Voice of Business in B.C."

The Chamber has been highly successful at generating innovative policy solutions through local evidence-based analysis as well as information and judgments about the needs of communities across the province, which reflect the values of influential stakeholders and community members.

The media, public and government has a growing understanding that it is through the direct input of local chambers that the BC Chamber develops policy recommendations making the Chamber the organization best able to offer real solutions to real challenges facing business across the province.

We would like to thank you for allowing the BC Chamber the opportunity to present the perspective of our members to the Commission on Tax Competitiveness on key tax measures that should be included in your report to the Minister on Finance in order to further enhance our tax competitiveness in B.C.

INTRODUCTION: FISCAL AND ECONOMIC CONTEXT

As we look to the future, B.C.'s economic prospects look to place our province in a solid position to experience growth going forward with projections of 2.4% in 2016 and 2.3% per-year in the medium term.[1]

Despite the positive forecasts for growth, there are considerable risks and uncertainties. The government's First Quarterly Report Audited Public Accounts highlight a number of these risks, including:

- assumptions underlying revenue and Crown corporation forecasts such as economic factors, commodity prices and weather conditions;
- the outcome of litigation, arbitration, and negotiations with third parties;
- potential changes to federal transfer allocations, cost–sharing agreements with the federal government and
- impacts on the provincial income tax bases arising from federal tax policy and budget changes;
- utilization rates for government services such as health care, children and family services, and income assistance;
- exposure to interest rate fluctuations, foreign exchange rates and credit risk; and
- changes in Canadian generally accepted accounting principles.

These are highlighted as risks that are not within government's control. While the Chamber agrees that these risks are considerable, and would have a significant negative impact on B.C.'s fiscal and economic outlook, they are not an exhaustive list of the uncertainties facing the province.

At the same time, the provincial government has recently been considerably focused on developing a tax and regulatory regime to encourage the establishment of an LNG industry. This is an important initiative and one strongly supported by the Chamber.

However, there is a concern within the business community that this has been pursued at the expense of addressing other competitive challenges facing the B.C. economy.

Business are seeing increased challenges on a range of fronts. For small business, we are seeing a range of costs that are undercutting their ability to grow and create jobs. These range from higher EI, Worksafe BC or MSP premiums, and uncompetitive property taxes.

While these are challenges that impact all businesses, the erosion of the competitiveness of our export sector is in some ways more concerning.

The government is to be congratulated for the work it has done in opening new markets. This has presented new opportunities for growth to B.C.'s exporters. Businesses ability to realize these opportunities, though, will depend on the ability to compete in the global market place. And this ability to compete is being undermined by a number of challenges, primarily on the tax front.

The Chamber's primary focus in this submission is on recommendations to address the tax challenges faced by business.

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[1] The Economic Forecast Council comprises 13 of Canada's leading economists.

ENHANCING B.C.'S TAX COMPETITIVENESS

Moving Beyond the PST – The Need for a Made-in-B.C. Value Added Tax

While B.C. enjoys a strong fiscal foundation, this is only one aspect of government's responsibility as stewards of the economy. The other, and equally important aspect, is to ensure the foundation is in place to encourage economic growth and job creation.

The Competitiveness Challenge

Since 2001, the provincial government has undertaken a sustained program of tax reductions for both individuals and business.

Table 1 - Interprovincial Comparisons of Business Tax Rates

	BC	AB	SK	MB	ON	QC	NB	NS	PE	NL
General Rate	11a	12	12	12	11.5	11.9	14	16	16	15
Manufacturing	11	12	10	12	10	11.9	12	16	16	5
Small Business	2.5	2	2	Nil	4.5	8	4	3	4.5	3
Small Business Threshold (000s)	500	500	500	450	500	500	500	350	500	500
Corp. Capital Tax										
- Banks - Small Financial	Nil	Nil	3.25 0.7	6 Nil	Nil	Nil	5 Nil	4 Nil	5 Nil	5 Nil
Sales tax	7	Nil	5	8	8	9.975	10	10	10	10

a B.C.'s Corporate tax was 10% prior to the 2013 Provincial Election.
b On April 1, 2013 BC joined Saskatchewan and Manitoba as the only provinces who levy sales tax on business that is not offset by tax credits

As shown in Table 1, B.C. is highly competitive today in a Canadian context across a range of key business tax rates. It must be noted, however, that these rates are focused on established businesses generating revenue or making sales (with the exception of sales tax, which in B.C., Manitoba and Saskatchewan is paid on business inputs). B.C.'s economic future will depend upon our ability to attract investment and new economic activity. If investment and new economic activity are the goal, B.C.'s tax picture looks very different.

To review B.C.'s tax picture, as it relates to new investment, it is necessary to review B.C.'s Marginal Effective Tax Rate (METR).[2]

2 METR is a measure used to compare the total tax burden on new investment by industry, type of investment, and size of firm. To do this, METR includes the effect of corporate tax rates, sales tax on business inputs, investment tax credits and other incentives, capital cost allowances, capital taxes and the ability to deduct interest costs.

Table 2 - METR Rates by Province 2012 & 2014[3]		
	2012	2014
B.C.	17.8	27.5
Canada	17.4	19.0
Alberta	17.0	17.0
Ontario	18.2	18.2
Quebec	15.2	15.9
Saskatchewan	24.3	24.3
Manitoba	26.2	27.9
Nfld	10.7	10.7
Nova Scotia	13.4	13.4
New Brunswick	2.8	4.8
PEI	28.1	11.4

As we can see from table 2, in 2012 under the HST, B.C. was placed as the 6th most competitive jurisdiction in Canada and well placed against our western neighbours and in relation to Ontario and Canada – in short against our competing jurisdictions. By contrast in 2014, we see B.C. move to be the bottom of the Canadian ranking. This difference is due to the fact that British Columbia, like Saskatchewan and Manitoba, *"continue to levy the retail sales tax, which results in a significant tax on capital investments (other provinces have harmonized their sales tax with the federal GST, and Alberta has no sales tax, so capital taxation is less severe*)."[4]

It must be noted, the METR calculations do not capture the full impact of the PST on B.C. competitiveness. They take into account only the PST on capital investment. The PST also applies to non-capital inputs that are used in business operations. In fact, the PST paid on non-capital inputs is four to five times the amount levied on capital inputs.

The other aspect of competitiveness is in regards to B.C.'s critical export industries. As a jurisdiction, B.C. has a smaller export base than most other provinces, as such it is critical that attention is paid to any tax changes that will negatively impact B.C. exporters ability to compete in other markets. The PST is a significant impediment in this regard.

As a small, open trading jurisdiction B.C. exporters compete with producers from across the globe, the majority of who do not have a sales tax structure that embeds costs at every stage of production as does the PST. Indeed, if we look at jurisdictions that levy a PST system, we see that B.C. stands relatively alone as one of only 3 jurisdictions in Canada, and the exception to the more than 130 countries worldwide, that do not have a value-added sales tax in place. As such, these producers have a significant competitive advantage over B.C. producers who struggle to remain competitive when building these costs into their price (HST also made B.C. producers more competitive against foreign competition when selling in domestic market for the same reason).

[3] 2014 Annual Global Tax Competitiveness Ranking, Duanjie Chen and Jack Mintz, pages 12 & 13. http://www.policyschool.ucalgary.ca/sites/default/files/research/tax-competitiveness-chen-mintz.pdf

[4] ibid, page 11

This is also an issue for B.C.'s resource industries, the foundation of economy prosperity for communities across the province. Commodity based exporters are price-takers in the global context. PST represents a significant cost for the extraction and production of resources and reduces profits and therefore the ability of these companies to invest in innovation and job creation.

The Productivity Imperative

The single biggest determinant of our per capita income and our ability to raise wages and living standards is our productivity – in short how efficient we are as an economy. Countries that are innovative and able to adapt to shifts in the global economy will see high productivity and thus a superior standard of living.

In this regard, Canada and B.C. have not fared well against competing jurisdictions. Between 1997 and 2011 the output of B.C.'s business sector was on average only 92% of Canada's.[5] From 1981 to 2007 non-residential business investment in B.C. was 74.4% of the Canadian average. In the same period the capital employed per worker fell from 113.5% to 88.9% of the Canadian average. It is not surprising that during the same period the B.C. share of Canadian GDP fell from 13.1% to 12.4%.[6]

While there are a variety of factors that contribute to enhancing productivity, it is recognized that improvements will require investment in equipment and technology, particularly investments in information and computer technology.

While B.C.'s productivity performance is reason enough for government to find ways to boost investment in technology and equipment, the Chamber believes the coming demographic shift must make this the highest of priorities for government.

We already know that the baby boomer generation is on the verge of retiring. While older workers are more encouraged to remain in the workforce, we can anticipate that between 2014-2024 we will see 640,000 workers leave the workforce through retirement. During that same time, B.C. can expect to create 295,000 new job openings through economic growth while there will only be 421,000 new entrants to the workforce to fill these positions.[7] That represents a shortfall of over 514,000 positions that will need workers to fill them.

To ensure this challenge does not profoundly damage the B.C. economy, we must ensure that we improve significantly on our productivity levels.

The Importance to Small Business

While many of the arguments in favour of the HST focused on its broad provincial impact, it is worth noting that this is an issue of particular importance for small business given B.C.'s reliance on small and medium sized businesses for our economic prosperity.

[5] Stats Canada table 383-0011

[6] Investment in BC: Current Realities and the Way Forwards, Centre for the Study of Living Standards

[7] https://www.workbc.ca/getmedia/9e0cadba-16d9-49d5-971b-7e9afd2561d7/BC-LM-Outlook-2014-2024_C.pdf.aspx pg. 8

Further to this, B.C.'s small business sector is critical to wealth generation and our capacity to grow and innovate. Responsible for employing over one million British Columbians, small business is responsible for 54% of all private sector employment in the province.[8]

While the concentration of small businesses largely reflects the economy at large with a significant focus on service sector industries, small businesses are significant economic generators. Small businesses were responsible for shipping approximately $11 billion worth of merchandise to international destinations in 2013, comprising over 33 per cent of the total value of goods exported from the province.

In addition, small businesses drive B.C.'s innovation industries with 8,462 small businesses in British Columbia's high tech sector in 2011, which represents about 97 per cent of all high technology businesses.[9]

This placed small business as one of the key beneficiaries of the HST and sees them significantly impacted by the return to the PST. In fact, one of the largest productivity challenges facing B.C. is the difficulty small businesses face in accessing capital to invest in innovation or productivity enhancements. As such, the return to the PST has a disproportionate impact on these small businesses compared to larger firms in terms of addressing productivity.

The Solution

The competitive and productivity issues that we have outlined above were an issue before the introduction of the HST. Indeed, the HST was supported by so many business organizations specifically because of its ability to address many of these issues.

Despite the obvious benefits of a HST, the Chamber recognizes that the public has spoken through the referendum 2011: there is no appetite either publicly or politically for a harmonized sales tax.

However, reform is needed. As we have demonstrated, the return to the PST has a significant impact on B.C.'s competitiveness and productivity. The Chamber realizes that following the HST and the referendum, there was little appetite of significant reform to our sales tax system and little appetite for a redistribution of the current tax which reduces the fiscal flexibility open to government.

The Chamber believes that the most damaging aspect of the return to the PST and the aspect that, therefore, requires the most immediate attention is that the PST is levied on investment in machinery and equipment. This is not to suggest that the PST equals an increase in cost on all machinery and equipment. The PST already exempts certain machinery and processing equipment used in manufacturing and agriculture. Reforms need to widen the scope of sectors that can access these savings to reduce complexity, but also to reduce B.C.'s METR. Indeed, the Expert Panel on Tax estimates that offering an Input Tax Credit on the acquisition of machinery and equipment would cut B.C.'s METR to 19%, significantly improving B.C. position in the Canadian context.[10]

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[8] 2015 Small Business Profile, BC Stats pg. 3
[9] ibid
[10] Expert Panel on Tax Report, Table 7

The Chamber recognizes that this is not a measure that can be introduced immediately. The Expert Panel on Tax estimates that this measure alone would result in a reduction in revenue to government in the order of $489 million in 2014/15 rising to $511 million in 2015/16 and to $534 million in 2016/17.[11]

Over the long term, though, government must engage in a meaningful consultation with British Columbians on our competitiveness and productivity and the role taxation plays. A key component of this dialogue must be the role taxation plays in enhancing our competitiveness and productivity.

While the return to the PST represented the largest tax increase on business in B.C.'s history, representing an increase in cost of $1.5 billion, B.C. businesses are facing rising costs on a number of additional fronts. Business is also facing higher Employment Insurance and WorkSafe BC premiums, a carbon tax that is the highest in North America, substantial increases in the minimum wage, and uncompetitive municipal property taxes. This direct hit on companies' revenue is amplified by the ongoing permitting issues that continue to impede investment in our critical resource sector and the ongoing regulatory impediments facing business at every level.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide a fully refundable investment tax credit claimed on businesses' income tax returns equal to the PST paid on all acquisitions of machinery and equipment (including computers and software) but excluding buildings and structures with a capital cost allowance rate of 5 per cent or less;

2. Continue to work with the chamber of commerce and others to find ways to reduce the administrative burden of the PST; and

3. Commit to a dialogue with British Columbians on the development of a made-in-B.C. Value Added Sales Tax system to enhance B.C.'s competitiveness and productivity.

Restructuring B.C.'S Revenue Neutral Carbon Tax

While the Chamber recognizes that the provincial government has maintained the revenue neutrality of the carbon tax we have become increasingly concerned over the tax measures introduced to return the funds to British Columbians. Since the carbon tax was introduced we have seen the tax measures move from broad based personal and corporate tax cuts to a range of niche, targeted tax credits. This is undermining the effectiveness of the carbon tax as a tax shift measure and is undermining support for the tax by limiting the savings British Columbians should be seeing in terms of reduced tax burden.

At the time of its introduction the Chamber network was generally supportive of the carbon tax. While members expressed concern over regional impacts and the erosion of competitiveness for

[11] The Panel does estimates that this would be offset by higher economic growth that would increase revenue by $12, $50 and $115 million in the period 2014-2017

certain sectors there was a recognition that climate change must be addressed and the most efficient and effective way to do that was to place a price on carbon.

The Chamber has been consistent; government must work with sectors that can demonstrate a negative economic impact to mitigate impacts where appropriate. The Chamber has, therefore, been pleased to see the provincial government react in a positive manner to sectors that have identified significant challenges with the B.C. carbon tax.

Government's ongoing efforts to mitigate impacts, when combined with the increasing evidence that the carbon tax is having a significant impact on reducing B.C.'s greenhouse gas emissions (GHG's), are increasingly recognized around the world as establishing B.C. as a global leader in addressing climate change through the effective utilization of market mechanisms.

However, the integrity of B.C.'s Carbon Tax is being undermined by the erosion of its revenue neutrality. Our members were very clear, the carbon tax could not become a slush fund for program spending. In this regard, we were pleased to see that revenue neutrality was enshrined in legislation. The power of the carbon tax is that it represents a tax shift that incents individual and businesses to change their behaviour. While the public are receptive to using carbon tax revenue for initiatives that are intended to reduce our greenhouse gas (GHG) emissions the chamber believes this is a dangerous concept.

The Chamber congratulates the government for continuing to oppose the use of carbon tax revenue for program spending, no matter how worthwhile the cause. Whether it is calls for carbon tax revenue to be used for investment in green or emerging technologies, or the calls by the Mayors Council to use the carbon revenue generated in the Lower Mainland for Translink funding, the Chamber continues to oppose these calls for a very simple reason.

The reality is that governments across the world have shown themselves to be poor judges of which programs or investments will actually result in a long terms reduction in our GHG emissions. While the price signal of a carbon tax has been highly effective at shifting consumption patterns governments' record at investing these funds have a far less successful track record.

Irrespective of governments ability to invest these funds in a manner that creates new economic opportunity, or to pick winners in global markets, the biggest concern is that evidence shows that the one outcome we can be certain of when it comes to taxes earmarked for program funding is that they will increase.

While the government has maintained the principle of revenue neutrality business has watched with growing concern the expansion of credits and tax cuts introduced under the auspices of revenue neutrality.

If we look at the initial allocation of carbon tax revenue when the tax was introduced in 2008 we see that the number of measures were limited in scope and were directed specifically as broad tax cuts for business and individuals.

Table 1 - Revenue Neutral Carbon Tax Plan 2008-09 to 2010-11[12]			
	2008/09	2009/10	2010/11
	$ millions		
Carbon Tax Revenue	**(338)**	**(631)**	**(880)**
Personal Tax Cuts			
- Low Income Refundable Tax Credit	104	145	146
- Reduce bottom two tax bracket rates by 2% for 2008 and by 5% for 2009 and subsequent years	113	230	244
- Additional personal income tax cut rates	-	40	157
Total Personal Tax Measures	**217**	**415**	**547**
Business Tax Cuts			
- Reduce General Corporate Rate to 11% July 1, 2008	75	128	133
- Reduce General Corporate Rate to 10.5% Jan 1, 2010 and to 10% Jan 1, 2011	-	6	73
- Reduce Small Business Corporate Income Tax Rate to 3.5% July 1, 2008	46	79	82
- Reduce Small Business Corporate Income Tax Rate to 3% Jan 1, 2010 and to 2.5% Jan 1, 2011	-	3	45
Total Business Tax Cuts	**121**	**216**	**333**
Total Revenue Measures	**338**	**631**	**880**

This structure of tax reductions was supported by the chamber network as the carbon tax was intended to represent a tax shift. Given that the carbon tax is paid by most British Columbians it is only right that most British Columbians should benefit from the tax measures that result.

Revenue was generated through a tax on consumption generated by the production of GHG's – a societal negative. These revenues were then returned to British Columbians in the form of a reduction in taxes that were detrimental to economic growth – personal and corporate income tax.

While the Chamber congratulates the government for maintaining the revenue neutrality of the tax an examination of the current tax measures shows a serious shift from the original approach.

Table 2 - Revenue Neutral Carbon Tax Plan 2014-15 to 2016-17[13]			
	2014/15	Forecast 2015/16	2016/17
	$ millions		
Carbon Tax Revenue	**1,228**	**1,248**	**1,271**
Personal Tax Measures			
- Low Income Climate Action Tax Credit	(194)	(194)	(194)
- 5% Personal Income Tax Reduction	(250)	(258)	(262)
- Northern and Rural Homeowner Benefit	(71)	(73)	(74)
- B.C. Seniors Home Renovation Tax Credit	(4)	(4)	(4)
- Children's Fitness and Children's Arts Tax Credit	(8)	(8)	(8)
- Increased Small Business Venture Capital Tax Credit	(3)	(3)	(3)
- Training Tax Credit extended - individuals	(20)	(20)	(20)
Total Personal Tax Measures	**(550)**	**(560)**	**(565)**

[12] http://www.B.C.budget.gov.B.C..ca/2008/bfp/2008_Budget_Fiscal_Plan.pdf, page 15. It should be noted that the $100 Climate Action Dividend was separate from, and in addition to, these tax reductions
[13] http://B.C.budget.gov.B.C..ca/2014/bfp/2014_budget_and_fiscal_plan.pdf, page 66

Business Tax Measures			
- General Corporate Income Tax Reduction	(202)	(206)	(224)
- Small Business Income Tax Rate Reduction	(200)	(222)	(241)
- Increase in Small Business Threshold	(21)	(21)	(21)
- Major Industrial Property Tax Credit	(23)	(24)	(24)
- School Property Tax Reduction for 'Farm" Class Land	(2)	(2)	(2)
- Interactive Digital Media Tax Credit	(50)	(50)	(50)
- Training Tax Credit extended - business	(11)	(11)	(11)
- SRED Tax Credit Extended	(99)	(180)	(190)
- Film Incentive B.C. Tax Credit Extended	(80)	(80)	(80)
- Production Services Tax Credit	(198)	(208)	(218)
Total Business Tax Measures	**(886)**	**(1,004)**	**(1,061)**
Total Revenue Measures	**(1,436)**	**(1,564)**	**(1,626)**

Currently the provincial government has identified items to be eligible for funding by Carbon Tax revenue and has defined such funding as "designated tax measures". Even the nomenclature signals a shift in governments approach. On the introduction of the carbon tax the items were clearly listed as tax cuts, now they are designated as tax measures.

When the carbon tax was introduction in 2008 we saw personal tax measures representing 100% of the revenue neutrality measures. If we look at the situation today, we see that broad-based tax cuts represent just 38%.[14]

In the case of business, we saw corporate tax reductions also representing 100% of the tax measures in 2008. Today business tax reductions represent just 46% of B.C.'s revenue neutrality.

We recognize that the other measures do represent a reduction in the tax load borne by business and the individual. However, when we look at the recipients of these credits we see a worrying trend towards allocating tax credits to niche interests. Such designated tax measures include the Senior Home Renovation Credit and the Children's Art Credit, and an increase to the small business venture capital tax credit. While these designated tax measures may be important to the groups that receive them (indeed, several have been supported by the Chamber), many create little or no benefit to the provincial economy and many are questionable as to whether they result in a shift in behaviour, or provide an incremental increase in revenue for the government.

To put this into context, if the original focus on broad based tax cuts were maintained we would have had an additional $106 million available for broad based personal income tax cuts and an incredible $463 million available for broad based tax cuts for business in 2014/15.

This shift is made even more challenging by the fact that when government was struggling to achieve a balanced budget the primary revenue mechanism utilized was to increase B.C.'s corporate and personal tax rates. This was done while maintaining the full range of designated tax measures introduced under the carbon tax.

The Chamber is a strong supporter of balanced budgets and recognizes that a shift in tax reductions

[14] It should be noted that a significant portion of the designated tax measures in 2008 was $194 million provided through a low income climate action tax credit. While not a broad based tax cut the Chamber recognizes that this represents broad based tax relief as many individuals do not pay income tax the only way to provide benefit to low income individuals is through a tax credit.

under the carbon tax would mean the elimination of some tax measures, or would be required to come from general revenue. In this regard the Chamber believes government must review the tax credits under the carbon tax to determine their effectiveness. If the credit is unable to demonstrate that it has driven a shift of behaviour then that credit must be phased out quickly. If the credit can be shown to have had a positive outcome, then government must transition the credit out of the carbon tax and fund the credit from general revenue.

The Chamber believes that while the Carbon Tax appears to be a contributing factor to a reduction in B.C.'s GHG emissions the tax is being undermined by the fact that the majority of people paying the tax are no longer seeing the benefit in terms of a reduced tax burden. This is occurring while business, particularly our critical export industries, continue to have their competitiveness undermined by a tax that none of their competitors are subject to.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Introduce no new tax credits under the auspices of the revenue neutral Carbon Tax;

2. Begin a process to return the revenue neutrality measures of the carbon tax to broad-based reductions in B.C.'s personal and business taxes; and

3. Continue to review the Carbon Tax to improve fairness and reduce adverse economic impacts.

THE ELEPHANT IN B.C.'S FISCAL ROOM – ADDRESSING LOCAL GOVERNMENT FINANCE

Our members now tell us that the biggest challenge to their ability to grow is the impediments placed in their way by local government. From both a governance and funding perspective local and regional government presents an increasing challenge to a vibrant investment and business community.

This section of our presentation will focus on the broad issues as they relate to our industrial structure and local and regional governments role as in encouraging economic growth. Local governments have indicated that a possible option for new revenue generation is for local governments to share in provincial revenue as partners in economic development. From the Chamber's perspective, there are two fundamental challenges with this idea.

The first is the cost pressures placed on our large industrial entities and the second is the role of regional government in our urban areas. This is not to suggest that local governments are not important contributors to economic growth. Rather, it points to structural challenges that will mean local government always fail to meet their potential.

This is also not to suggest that the business communities concern with local and regional governments are limited to these two issues. Indeed, the 2016-2017 BC Chamber Policy and Positions Manual outlines a range of other areas of concern to business in communities across the province.

Mitigating Local Governments Negative Economic Impact

The Chamber has expressed continued concern regarding the unsustainable level of spending by local governments. When combined with the limited sources of revenue available to local governments this has resulted in certain local governments subsidizing residential taxpayers by unfairly burdening business with property tax levies far in excess of the services they utilize. This is particularly true for businesses in the major industrial property tax class.

While we appreciate the challenges faced by local government with limited resources, raising revenues by increasing costs to business who operate in a globally competitive environment represents an unsustainable solution.

<u>Addressing the Problem</u>

The provincial government has identified that there are significant problems with the property tax system. They have expressed concern that tax reductions at the provincial level were being negated by tax increases at the municipal level. The result being a failure to make B.C. businesses as competitive as they can be.

Over recent years, we have seen a number of measures and initiatives that explicitly recognize that property tax is a significant problem for B.C.'s industrial sector. Whether it is the Catalyst v. North Cowichan ruling in the fall of 2009, or the subsequent Major Industrial Property Tax Review process, the provincial government has recognized that there is a need for a focus on municipal tax reform to Class Four properties (major industry). While this is the most pressing area of concern, and one that profoundly impacts the competitiveness of our province for investment in major industry, the Chamber maintains that the challenge for Class Four needs to be addressed within the broader context of all classes. Taken in isolation, there is the danger that changes made to improve the tax fairness for Class Four will result in a tax shift to other business classes while maintaining the protection of tax levels for Class One (residential).

However, it must be recognized that both the immediate challenges of sustainable tax levels for Class 4, and the need to maintain equity to other classes, are essentially a short-term approach to the much more complex problem of a tax system that is itself perhaps unsustainable. While necessary, a short-term solution should be seen as a first step in a more comprehensive review of municipal taxation with the vision of developing a system that provides a fair tax distribution across all property classes in a sustainable system.

It is also important to recognize that while the tax system is unwieldy at best (with no similarly complex system anywhere in Canada), the environment in which municipalities must operate has itself become increasingly challenging. With the increased range of services local governments are choosing to become involved, combined with the infrastructure funding gap, municipalities are pressed to provide citizen services and infrastructure maintenance and development with limited funding stream capacities.

Perhaps the most important development in this regard has been the introduction of the Ports Property Tax Act in 2004 that set rate caps for designated port properties from its time of introduction until 2008.[15] This Chamber welcomed this initiative as important to establishing certainty over the tax load that would be faced by the Port. While this has been opposed by local government through UBCM the cap has facilitated investment in the Port and has led to expansion and new job creation.

The Chamber believes this principle may warrant expansion to the development of BC's Liquefied Natural Gas industry. The Chamber is not suggesting that municipalities not be granted revenue from the establishment of new industrial facilities, rather the municipalities be limited in the level of property tax they can levy on these facilities.

Calls for a New Funding Framework

It is within this context that the Chamber believes that the calls for a review of the funding relationship between senior levels of government and local and regional government warrant attention. These calls were articulated through UBCM and its "Strong Fiscal Futures a Blueprint for Strengthening BC Local Governments' Finance System" paper.[16]

While a new funding relationship is needed there must be parameters placed on the terms of the discussion.

UBCM paper is the latest in a series of calls for a renewed fiscal relationship between senior levels of government and local and regional government. These calls have focused on increased pressure being placed on the municipal property tax base through infrastructure requirements and downloading of service requirements.

[15] Originally temporary this program is now permanent.
[16] http://www.ubcm.ca/assets/Resolutions~and~Policy/Policy/Finance/LocalGovernmentFinance_Report_Web_Final.pdf

The perspective that both these pressures are being imposed on local government are at best misleading, and at worst are disingenuous.

In terms of infrastructure requirements, it is indeed true that local governments face significant infrastructure needs that are beyond local governments' ability to finance. However, many local governments have neglected their responsibility to maintain and upgrade local infrastructure. This has been a significant contributing factor to the major infrastructure deficit we are now facing.

Service provision and the appropriate level of government responsible for funding are a constantly moving target. While the range of services being required by communities continue to grow it is important to note that these pressures on local government expenditure are not an imposition, but rather a choice.

Where the Chamber agrees with the UBCM report is that we must move beyond the current broken property tax model. While not all of the options in UBCM's paper are business-friendly, the Union of B.C. Municipalities (UBCM) and other reports on the matter advocate a number of options.[17] The report presents some options for adjusting the system to be less reliant on property taxes.

However, before a discussion can be held on new revenue streams there must be a recognition that revenue is only one side of the equation. Local governments are profligate spenders and a discussion around new revenue sources cannot be held before this is addressed.

THE CHAMBER RECOMMENDS:

That the Provincial Government:

1. Initiate a collaborative review process including the Union of BC Municipalities and the BC Chamber of Commerce as participants to examine ways to:

   - Increase the efficiency of local municipal governments; and
   - Improve the fairness of the business tax burdens

2. embark upon an examination of the sustainability of our method of municipal funding with the goal of developing a more sustainable structure related to the taxpayer's ability to pay;

3. provide control and oversight on the level of property taxation levied to all taxpayer groups to ensure fair and equitable taxation practices.

[17] Select Committee on Local Government Finance. (2013). *Strong Fiscal Futures.* Union of British Columbia Municipalities.

OTHER TAX MEASURES

Enhancing the Competitiveness of B.C.'s Agriculture Sector

In B.C., the primary agriculture sector's nearly 20,000 farms generated $2.9 billion in farm sales in 2014, well over $100 million above the previous year[18] and is anticipated to increase to $3.5 billion by 2018.[19] B.C. exported more than $2.0 billion worth of agricultural products to more than 144 markets in 2014,[20] an increase in value of 11% over 2013. The potential in the agriculture industry within B.C. is well recognized by industry and government alike, yet we need to take measures to continue to enhance the competitiveness of this industry, in both the domestic and international markets.

Despite high quality products, productive land, and growing local and domestic markets for agricultural products, B.C. is facing heavy competition from external markets. In particular, Alberta and the northwest United States supply a large percentage of the agricultural products sold in B.C. One of the major contributing factors to B.C.'s reduced competitiveness is the tax burden faced by the sector.

Prior to 2010, when the HST was introduced, farmers and ranchers received relatively few tax exemptions compared to competing markets. Under the HST system, agriculture saw returns of $15-20 million through GST/HST tax returns on exempt goods and services.[21] These returns and exemptions enabled the agricultural industry to produce goods at lower costs, helping them to become more competitive in local and global markets.

With the return to the PST system, B.C.'s agriculture industry longer receives exemptions or investment tax credits on the majority of goods and services used in farming and ranching. This puts B.C.'s agriculture industry at a distinct disadvantage against both Alberta and Washington State, where a large number of the goods purchased for farm use are tax exempt.[22][23]

Requiring the payment of PST on agricultural services means higher input costs without a balance of investment tax credits. These higher production costs, in turn, lower profit margins for producers and subsequently increase the sales prices of agricultural products, either of which would increase the financial burden on both producers and consumers and decrease B.C. farmers' competitiveness.

Providing PST exemptions to farmers and ranchers would secure B.C.'s standing as a competitive agricultural producer. The decreased production costs achieved through this tax exemption would enable B.C. farmers to increase production and sell their goods at more affordable prices while still maintaining a good profit margin. This affordability will serve to strengthen both domestic and foreign market competitiveness, encourage local food purchasing, and provide a secure food

[18] Source: BC Ministry of Agriculture, BC Agrifood Industry *Year in Review 2014*.
[19] Source: BC Ministry of Agriculture, 2016/2017 - 2018/2019 Service Plan
[20] Source: BC Ministry of Agriculture, Sector Snapshot: *BC Agriculture - 2014*
[21] Source: Canada Revenue Agency: Farming Income including Form T2042 2012; http://www.cra-arc.gc.ca/E/pub/tg/t4003/t4003-12e.pdf
[22] Source: BC Agriculture Council; Garnet Etsell, Chair
[23] Source: Department of Revenue Washington State, Agriculture Tax Guide: Sales and Use Tax Exemptions; http://dor.wa.gov/content/DoingBusiness/BusinessTypes/Industry/Agriculture/default.aspx

supply, all of which will contribute to the growth and development of a strong, secure agriculture industry in B.C.

The 2016 Provincial Budget identified a limited number of new PST exemptions for qualified farmers, but this falls short of those needed to truly enhance the competitiveness of the sector. The government also announced the creation of a Tax Competitiveness Commission to examine the province's tax regime.[24] It is imperative that the current impact of PST on agriculture competitiveness is a priority in any consideration of proposed changes. This should provide an opportunity to examine a more comprehensive value-added approach to achieve better income tax equitability.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Provide PST exemptions on all agricultural goods and services that are zero-rated under the GST system;

2. Ensure that the mandate of the Tax Competitiveness Commission give full consideration to the needs of the agricultural sector; and

3. Continue its discussions with the British Columbia Agriculture Council and industry stakeholders to enhance the sectors competitiveness both domestically and internationally.

Benefits from Simplifying the MSP Tax System

B.C. is the only province in the country to levy a healthcare premium, while other provinces such as Ontario and Quebec use a payroll and/or income tax surcharge. Further, this is a flat tax impacting all equally. The Province recently announced some changes to help alleviate the hardship caused on those with lower incomes. However, this does not address business costs as most provide MSP as part of a benefits package for their employees or the increases that are carried by employers with a union workforce. There needs to be a more equitable and less costly health care funding system.

Every resident of B.C. is required to have MSP coverage and pay premiums, either directly or through their employer. As of January 1, 2016, if the employer isn’t picking up the MSP expense, a person’s monthly fee is $75 for singles, $144 for a family of two, and $150 for a family of three of more.[25] An individual earning $30,000 pays the same premiums as one making $300,000, and a family earning $40,000 pays the same premiums as a $400,000 family. The amount of uncollected premiums is approaching half a billion dollars and the costs to maintain this increasingly complex system is reducing the impact of the $2.4+ billion dollars collected annually to help fund health care. The 2016 B.C. Budget did include minor changes that remove children from the calculation of premiums and raises the income level at which MSP payments start to alleviate the costs for a certain percentage of the low income population.

[24] Source: BC Provincial Budget 2016
[25] BC Budget 2016

The MSP program imposes a tax on B.C. residents that has been called "punitive, regressive, inefficient, administratively expensive and discriminatory."[26] MSP premiums, often defended as a means of controlling health care costs through consciously making individuals aware that health care is not free, has failed to be an incentive for individuals to conserve on their usage.

Abolishing the MSP premiums would not be easy as it generates almost $2.5 billion annually (in 2015-16, according to the 2016 B.C. Budget document page 16, Table 1.8). MSP premiums are B.C.'s single largest source of non-tax, own-source revenues, and they exceed other notable revenue sources such as corporate income tax or natural gas royalties.[27] MSP premiums do not cover the full cost of health care in B.C., which is projected at $19.6 billion of the province's $48.1-billion budget.[28]

B.C. is the only remaining province in Canada to have a separate funding mechanism to collect funds for medical services. One of the reasons for this approach is to be an educational tool to reinforce the high cost of medical services and reduce unnecessary usage.[29] Ontario eliminated its health care premiums in 1990 by introducing an employer payroll tax. In 2004, the Province of Ontario reintroduced individual health care premiums through the income tax system; these are not flat-rate levies, but rise with income to a maximum annual $900 at taxable incomes of $200,000 and higher. This approach avoids regressive effects as well as the administrative and compliance costs of collecting separate premiums. Alberta, too, eliminated premiums in 2009 and introduced a new health care contribution levy in 2015.

Eliminating the bureaucratic apparatus needed to collect the premiums by collecting the MSP revenues through one or more existing taxes would eliminate the financial burden on employers, the self-employed and retirees as well as those associated with premium assistance. Small business owners and the self-employed also realize these costs through higher benefit expenses for employees and individual premiums that rise faster than the rate of inflation. The MSP is a cost driver for employers, and in that sense it poses problems.

THE CHAMBER RECOMMENDS

That the Provincial Government mandates an overhaul of the current MSP system through the new Provincial Tax Competitiveness Commission (PTCC) giving consideration of the following options:

1. Replace the MSP with a progressive and equitable approach to health care funding;

2. Abolish the current MSP premium system and implement a line item to the provincial income tax; and

3. Provide in advance at least one year's notice to indicate that the MSP tax would be replaced with a combination of a payroll tax and an income tax surcharge, as is done in Ontario.

[26] Vancouver Sun Editorial – February 19, 2016
[27] Business Council of BC
[28] Vancouver Sun, T Sherlock – February 16, 2016
[29] Jon Kesselman, Canada Research Chair in Public Finance, Simon Fraser University.

Competitive Tax Environment for Credit Unions

Chamber members have continued to express concern over businesses ability to access capital. While this is a challenge for businesses of all sizes, across all sector, and in all regions it is particularly acute for smaller business in smaller communities. For many of these businesses the saving grace continues to be the commitment to local economies and businesses shown by B.C.'s credit unions.

Credit unions play an important role in B.C. communities by providing financial services to businesses and individuals and by supporting local projects. Indeed, credit unions are currently the only financial institution in more than 40 communities across B.C.

It is in this context that our members have expressed significant concern over proposed changes to B.C.'s tax structure as it relates to credit unions.

In the 2013 Federal Budget, a five-year phase out of the small business tax exemption was introduced. This change will result in a federal tax increase for the entire sector but more importantly this will also result in the sectors provincial tax rate increasing from 2.5% to 11%. This change was confirmed in Budget 2014 with the following comment;

Under the federal and provincial income tax rules, credit unions receive preferential corporate income tax treatment by way of a lower tax rate on a portion of their income. As announced on March 20, 2013, the federal government is phasing out its preferential income tax treatment for credit unions over five years beginning in 2013.

The Act is amended to phase out the provincial preferential income tax treatment for credit unions over five years beginning in 2016.

The Chamber is concerned that positioning this change as removing preferential tax treatment ignores the reality facing credit unions. The reality is that credit unions are subject to different rules than Canada's banks. Credit unions are required to maintain a significant pool of retained earnings but are not permitted to leverage share sales to maintain or grow these earnings. This income tax change, which represents a $20 million tax increase, will result in a reduction of the sectors capital accumulation and, therefore, their loan growth. This will have a significant impact on B.C.'s small business community who rely on credit unions ability to provide credit to facilitate their businesses growth.

Like banks, credit unions are required to build ever-increasing capital to ensure soundness. But unlike banks, credit unions are member-owned co-operatives and cannot access capital markets. Instead they must rely on retained earnings for capital, while banks are able to issue stock on capital markets. Increasing taxes on credit unions impedes the ability of credit unions to grow their retained earnings and capital

Our members have been clear, balancing the budget must be a priority for your government. Given that this tax increase was due to a change in the federal tax code, and was not a decision of your government, a decision to reinstate the credit unions small business tax rate will not have a negative impact on existing government revenue streams and can, therefore, be accommodated within a balanced budget. Indeed, it is worth noting that this change would not impact the Budget and Fiscal Plan as the change in the tax status of credit unions is not intended to begin its phase out until 2016/17.

Your government has shown a strong record of supporting B.C.'s small business community and strong local economies. For this reason, we encourage your government to continue this strong record by amending the Provincial Income Tax Act to ensure that credit unions continue to be taxed at the small business rate.

Increased taxes after 2016 will hurt the ability of credit unions to support local economic growth and their ability to support the province's business sector. When credit unions pay higher income taxes, their ability to lend to small businesses, provide service to underserved communities and support local community economic development is reduced.

By standing alongside credit unions, the Chamber is standing with small businesses in B.C. by ensuring B.C.'s business markets have access to the necessary financing and banking services that credit unions provide. The geographic reach of credit unions in northern and rural communities is notable.

We recommend that the small-business tax exemption be retained indefinitely. This will not be a cost to government because it is currently an unrealized source of tax revenue. In fact, had the federal government not triggered this chain of events, the province would not have had cause to rescind the small-business tax from credit unions. We suggest that the cost to the province if this exemption ends may be to business and communities who directly benefit from the more than $17.6 million that B.C. credit unions provide annually to a wide range of community and economic projects[30].

By permanently extending the small-business tax credit for credit unions, the government will demonstrate and recognize that credit unions are unique and historically dependent on this tax structure to the benefit of communities. Any opposition to this tax structure would be overlooking the sensitive inter-relationships of member-owned financial institutions that see profits directed to the community for re-distribution.

THE CHAMBER RECOMMENDS

That the Provincial Government;

1. extend the small business tax benefit permanently; and

2. continue to work with credit unions to meet their needs with regulations and tax regimes that keep them strong and viable.

[30] Creditunionsarehelpinghere.com

Property Transfer Tax - Addressing B.C.'s Housing Affordability Crisis

The Chamber has been on record for some time advocating that affordable, market based housing for families is a major factor in creating attractive, livable and competitive communities. Affordable housing is important to the business community both as an economic driver in its own right, and also as a competitive advantage in the search for a skilled workforce and community growth.

Business must remain competitive and the cost of housing is a major source of wage pressure. Any additional wage costs are passed to consumers and increased consumer costs will only encourage buyers to search alternatives (cross border shopping, etc.).

The Chamber recognizes that the purchase price of a house is a market function that will find a natural balance if left unimpeded. However, government at every level have been distorting this market by consistently imposing unnecessary costs and restrictions on the market. This has led to increased pressure on costs and therefore prices. This is exacerbating the housing affordability crisis that is impacting communities across B.C.

A critical contributor to this issue is the Property Transfer Tax (PTT), which affects the affordability of housing throughout the province of B.C. B.C. continues to hold the highest prices across Canada and has seen increases of 16% since 2012, while the national average increased 13%. The PTT is often repeated and continually imbedded in the ultimate cost passed on to consumers. The Chamber believes that the majority of this tax burden, which was originally intended to impact only the elite now affects virtually everyone who purchases a home. As such, the original "luxury tax" is now burdening the working class.

B.C. residents are enduring the highest cost of housing in Canada, with prices almost 100% higher than the national average. This high cost of housing places a burden on economic stability and creates a barrier to attracting and retaining skilled workers to certain sectors and regions.

The Chamber believes that reduction and eventual elimination of the property transfer tax creates a positive impact on the business community and the Province via:

- Improving the affordability of housing for residents;
- Creating attractive, livable, and competitive cities;
- Retaining residents in B.C. to fill skilled jobs;
- Attracting skilled workers to B.C. to fill specific vacancies;
- Generating additional economic contributions in communities, as each property transaction generates on average $42,000 in expenditures in local communities; and
- Drive job creation, as the sale and purchase of homes has a positive impact on direct and indirect jobs.

Canadian Provinces Average House Prices, February 2015[31]

Province	Average House Price
British Columbia	**$ 617,581**
Ontario	$ 448,189
Alberta	$ 382,247
Saskatchewan	$ 300,738
Newfoundland/Labrador	$ 282,638
Quebec	$ 272,001
Manitoba	$ 266,513
Nova Scotia	$ 215,946
New Brunswick	$ 172,833
Prince Edward Island	$ 164,774
Canadian Average	**$ 312,346**

Data provided by The Canadian Real Estate Association

Current Property Tax Model:

Currently, the Tax is charged at 1% of the value of property up to $200,000 and 2% on the remainder of the value. This results in $10,352 of tax on the average house price of $617,581.

First time home buyers (FTHB) who are B.C. residents can be eligible[1] for an exemption or refund of the tax if the value is less than $475,000. This limit was recently increased by the Provincial Government and shows positive signs of commitment to property tax reform and the introduction of mechanisms to attract home buyers to B.C.

Proposed Revisions to Property Transfer Tax:

The Property Transfer Tax is a significant source of income for the province of British Columbia. The 2014-2015 Provincial Budget shows that the tax should generate close to a billion dollars per year for the B.C. government for the next 5 years. As such, we realize that any adjustments to eliminate the Property Transfer Tax need to be managed in a fiscally responsible way to avoid offsetting increases in income taxes or cuts to essential services. Similarly, the low personal tax rates and strong public services are equally attractive factors for B.C. Therefore, any proposals to reduce taxes must have compensating measures to maintain a balanced budget.

We recommend that the B.C. Government initially increase the threshold to a level consistent with the original intention of taxing luxury items i.e. to a value consistent with actual prices in B.C., being $600,000 for B.C. Residents who are purchasing a primary residence. The threshold of $600,000 and $475,000 for first time home buyers' exemptions, should continually be increased in line with the changes in home prices to reflect the current economics.

Over the longer term, we recommend further reducing the rates of tax with the intention of eventual elimination.

The Primary Residence Grant

In addition to amending the thresholds the Chamber also believes that further reform would address the issue of affordability. Indeed, property transfer tax reform would be considerably

[31] http://www.crea.ca/statistics

advanced through an initiative that would offer qualified purchasers a Primary Residence Grant. Currently Property Transfer Tax is calculated at 1% on the $100,000 of property value and 2% on the remainder. Increasing that threshold would go a long way to make the purchase of a Primary Residence more affordable.

Primary Residence Grant qualifications would be similar to those for First Time Home Buyers, requiring applicants to be Canadian citizens or permanent residents and would be available to purchasers moving to British Columbia from other areas of Canada increasing the appeal of relocating to British Columbia.

The existing PTT formula, 1% on the first $200,000 and 2% on the remaining purchase price of properties not intended to be the primary residence, would remain as is.

The current Property Transfer Tax Return would only require an additional declaration, similar to the First Time Homebuyers declaration, to determine the intended use of the property and the qualification of the purchaser.

No Tax Barrier Investment Haven

Politically stable, safe, secure and beautiful, British Columbia, especially Vancouver, with its no-foreign-tax-barriers-to-buy-or-sell, is an attractive location and investment haven for wealthy offshore investors.

B.C. does not track real estate buyers by foreign residency status and determining the exact amount of foreign ownership is difficult at this time. However, a reasonable measurement of that trend is found in a report done by the Landcor Data Group and published in 2011.

The Landcor Data Group found that in 2008 and 2010, between 46 and 74% of buyers of condos over $2 million and homes over $3 million were sold to persons identified by Landcor as Peoples' Republic of China investors. While the Chinese buyer group is significantly present, other foreign buyers from 90 different countries are also entering the Vancouver market according Landcor.[32]

Foreign ownership in large, international cities is happening around the world.

At the end of 2013, Britain introduced a 'stamp of duty' of up to 15 percent on purchases of more than 2 million pounds by foreign buyers made through corporations. And next year, Britain will introduce new capital gains tax on property owned by foreign property investors.[33]

Other cities such as Paris and New York already impose similar capital gains taxes that relate to an owner's residency status.

Since 2012, Hong Kong has required foreign investors and companies to pay a special 15 per cent tax also referred to as a 'stamp duty'. In fact, most countries tax foreign ownership in some way.[34]

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[32] http://www.landcor.com/market/reports/Q1_2011_Residential_Sales_Summary_Final.pdf

[33] http://www.telegraph.co.uk/finance/newsbysector/constructionandproperty/10417422/Tax-on-foreign-property-owners-to-burst-Londons-bubble.html

[34] http://blogs.vancouversun.com/2013/12/16/hong-kong-puts-15-per-cent-tax-on-foreign-buyers-will-b-c-follow-suit/

In Canada, the province of Prince Edward Island has special purchase rules and restrictions in place to prevent Americans from buying up beach front property.
In Canada, many provinces have restrictions on foreign ownership. Alberta limits non-residents to owning no more than 2 plots of land, not exceeding a total of 20 acres. In Saskatchewan, non-residents may not own land over 10 acres. Prince Edward Island charges non-resident owners higher property taxes and non-resident buyers must apply to purchase land over 5 acres or land with shore frontage over 165 feet.

British Columbia, especially the City of Vancouver, has evolved into a world-class destination that now demands a world-class taxation formula. Increasing the Property Transfer Tax rate for foreign purchasers should be designed to replace any revenue lost due to the reduction for primary residence.

Impact of Primary Residence Grant and Potential Increase for Non-Residents

$1,000,000 House	First Threshold	Excess Threshold	Estimated PTT	Change
Property Transfer Tax	$600,000 x 1 %	$400,000 x 2 %	$14,000	
Primary Residence Grant	$1,000,000 x 1 %	$0 x 2%	$10,000	($4,000)
Non Residents	$600,000 x 2%	$400,000 x 2%	$ 20,000	$6,000

In order to offset the lost revenues, we recommend that high levels of property transfer tax remain for investment properties (i.e. non-primary residences) and foreign investors (non-B.C. residents). The rates will have to work on contrasting scales, depending on the relative number of buyers and average prices, to manage overall revenue declines to minimize negative impacts on the overall provincial budget. In Canada, many provinces have restrictions on foreign ownership, therefore such a policy would not create a significant competitive disadvantage. In contrast to the old tax structure, which puts a heavy burden on homebuyers who invest in their communities and in effect slows down the growth of the economy, the new structure would help attract families to purchase homes in B.C., create new jobs, fill job vacancies and generally expand the economic pie of the whole province.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Increase the 1% PTT threshold from $200,000 to $600,000 (being current average market value), with 2% applying to the remainder of the fair market value;

2. Continually index the 1% PTT threshold and the First Time Home Buyers Exemptions using Statistics Canada’s New Housing Price, and make adjustments annually to account for inflation;

3. Continue to increase the threshold for the First Time Home Buyers exemption;

4. Introduce mechanisms to eliminate double taxation when properties are transferred between common owners;

5. Amend the current Property Transfer Tax Act to provide for a new Primary Residence Grant; and

6. Introduce a new Property Transfer Tax rate of a minimum of 2% of the property purchase price for all residential property in British Columbia bought by non-residents of Canada or corporations controlled by non-residents.