

Protecting Vital Services, Building for the Future

SEPTEMBER BUDGET UPDATE 2009 HIGHLIGHTS

Our province and our people have enormous strengths. As we begin to see signs of a recovery, the time is right to renew and reinvigorate the spirit and pride that has always been a part of British Columbia.

Budget in Brief

The Budget Update continues to protect the vital services that British Columbians depend on and reaffirms government's commitment to health, education and social services. It builds on our strengths and charts a path toward greater prosperity. To protect vital services, the B.C. government has made the decision to run temporary deficits of \$2.8 billion in 2009/10, \$1.7 billion in 2010/11, and \$945 million in 2011/12.

THE BUDGET UPDATE FOCUSES ON:

- » Maintaining vital services during difficult economic times.
- » Stimulating the economy and creating jobs.
- » Encouraging investment and making B.C. more competitive.

Despite the many economic challenges we face, the B.C. government is taking steps to position the province for a future of renewed economic opportunity and well-being.

Protecting Vital Services

Government spending on health, education and social services represents approximately 75 per cent of the annual provincial budget and continues to increase each year.

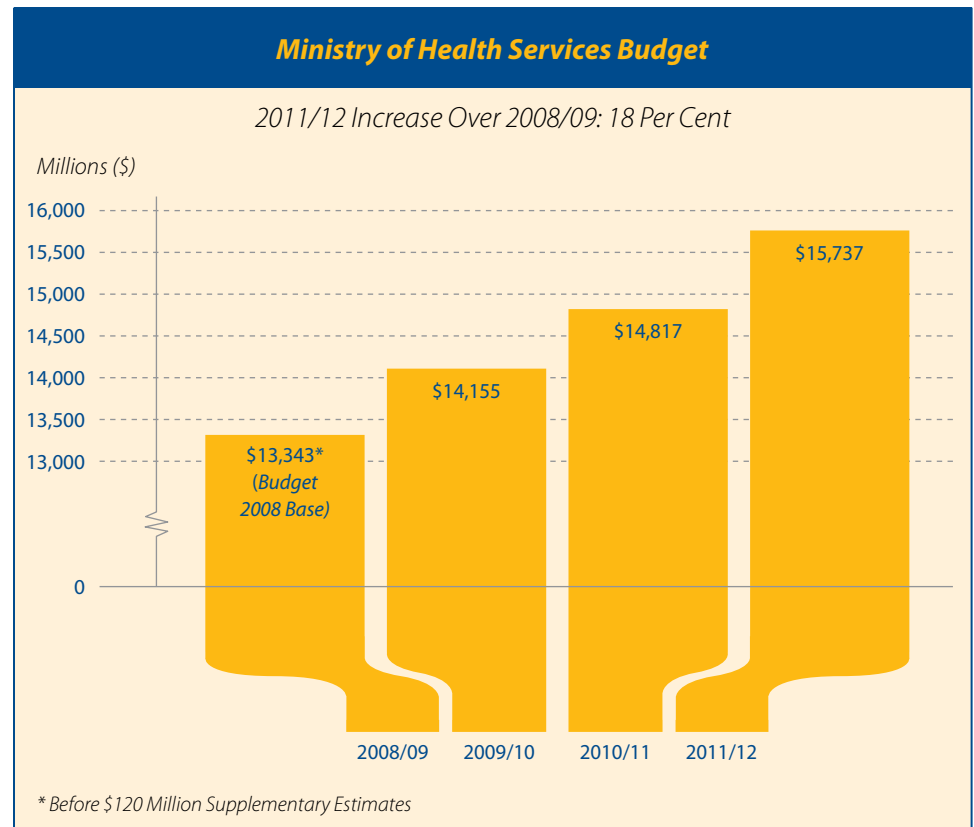
- » The Budget Update builds for a stronger future while protecting the vital services on which British Columbians depend.
- » Funding for health services will increase by 18 per cent over three years. By 2011/12, total funding for the Ministry of Health Services will reach \$15.7 billion.
- » The Budget Update also strongly supports kindergarten to Grade 12 education, with per-student funding of \$8,206 in 2009/10.
- » For British Columbians in need, the Budget Update provides \$420 million to meet the requirements of greater demand for income assistance due to the recession.





We are taking steps to protect the critical public services British Columbians rely on, to promote investment and economic growth, moving forward with long-term initiatives that will improve the quality of life throughout the province.

Health Funding Growth Maintained



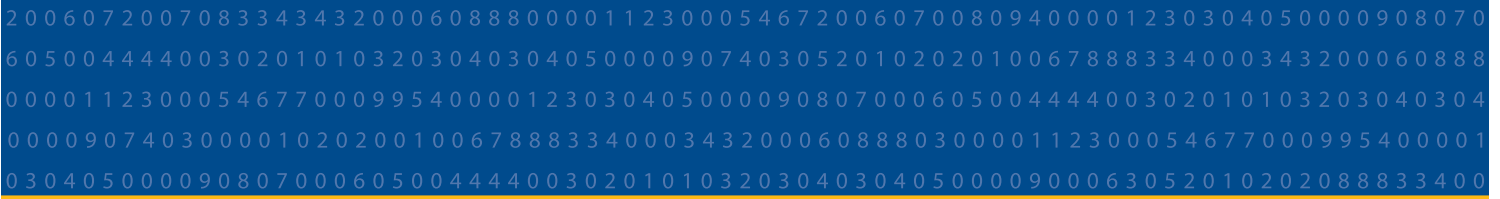
Full-Day Kindergarten

Recognizing that the earliest years of a child's education are among the most important, the Province will introduce full-day kindergarten, which will begin to be delivered in schools throughout British Columbia in September of 2010. This will significantly improve early-childhood education in B.C., while providing B.C. parents with an added measure of support.

Investing in Post Secondary Education

The Budget Update reconfirms government's commitment to post-secondary education. Total annual post-secondary education spending by fiscal 2011/12 will exceed \$4.7 billion.

The Budget Update includes increased training tax credits for businesses that take on apprentices. Effective July 1, 2009, employers may claim up to \$4,000 annually, double the previous \$2,000, per eligible apprentice.



Creating Jobs, Supporting Communities

The government continues to invest in building and upgrading roads, highways, bridges, airports, schools, universities, hospitals, community facilities and other key projects to create jobs and keep people working in tough economic times, while ensuring the province's future infrastructure needs are met.

In partnership with other levels of government, British Columbia's capital construction plan could create up to 88,000 jobs over three years. Since February alone, some 480 projects worth \$3.4 billion have been announced. The projects approved to date are expected to create 21,600 direct jobs over three years.

Going forward, these jobs and the spinoff benefits they create for communities of all sizes will provide additional stability and confidence throughout the province.

The Budget Update provides for capital investments of \$7.4 billion in 2009/10, \$7.7 billion in 2010/11, and \$6.5 billion in 2011/12.

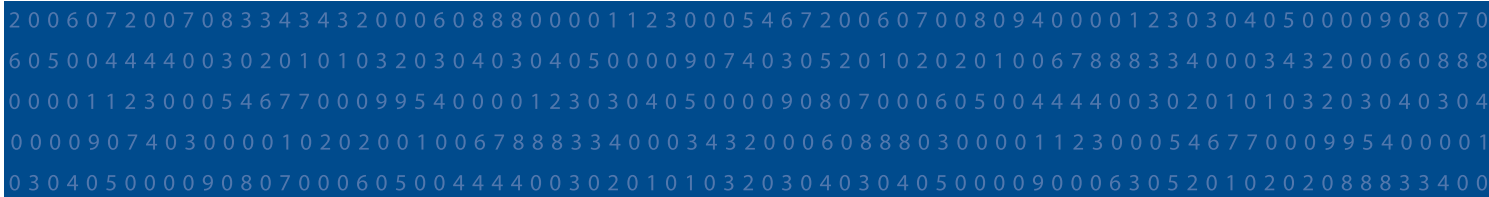
We are building on our record of sound fiscal management... providing income tax relief for families and individuals, taking steps to ensure we keep debt affordable and are well positioned to take full advantage of the coming economic recovery.

480 Projects
WORTH \$3.4 BILLION
HAVE BEEN ANNOUNCED
= 21,600 JOBS

Sound Fiscal Management

The B.C. government is committed to responsible and sound fiscal management. The Budget Update reflects these priorities.

Since 2004, British Columbia has received seven credit rating upgrades and today enjoys a AAA credit rating — the highest possible. This has provided financial flexibility and enables B.C. to borrow for capital projects at the best possible terms.



We continue to implement our stimulus package... investing nearly \$14 billion with the federal and local governments — building the schools, health care facilities and other infrastructure needed in our communities... creating jobs, supporting families and generating economic activity.

British Columbia's debt burden remains among the lowest in Canada. Taxpayer-supported interest costs on the provincial debt remain low and represent less than 5.2 cents per dollar of revenue.

Between 2003/04 and 2008/09, we reduced the provincial operating debt from a high of \$15.7 billion to \$6.4 billion, a decrease of almost 60 per cent.

These reductions have given the province the flexibility it needs to address current economic conditions while keeping the provincial debt affordable. Although government direct operating debt will increase over the next three years, it will still be below 2001/02 levels and will begin to decrease with the return to balanced budgets.

Why We Have a Deficit

The primary reasons that B.C.'s temporary deficits are necessary:

- » A sharp decline in corporate tax and personal income tax revenues.
- » Continuing weakness in commodity prices resulting in a significant fall in revenues from the B.C. resource sector.
- » The need to protect and enhance vital public services despite lower revenues.

A More Competitive Tax System

B.C. is working to build the most competitive business tax system in Canada. This will encourage investment, create jobs and ensure greater prosperity for British Columbians.

Since 2001, the B.C. government has reduced taxes more than 120 times, benefiting both businesses and the people of British Columbia.

Measures included in the Budget Update include raising the small business corporate income tax threshold to \$500,000 from \$400,000, effective January 1, 2010. This is the highest threshold in Canada and represents a 150 per cent increase since 2002.

In 2008, the small business corporate income tax rate was reduced from 4.5 per cent to 2.5 per cent — a reduction of 44 per cent. The government intends to reduce the rate to zero by April 1, 2012. B.C.'s general corporate income tax rate has been reduced from 16.5 per cent to 11 per cent, with further reductions to 10.5 per cent planned for 2010 and to 10 per cent in 2011.



Reductions in Personal Income Tax

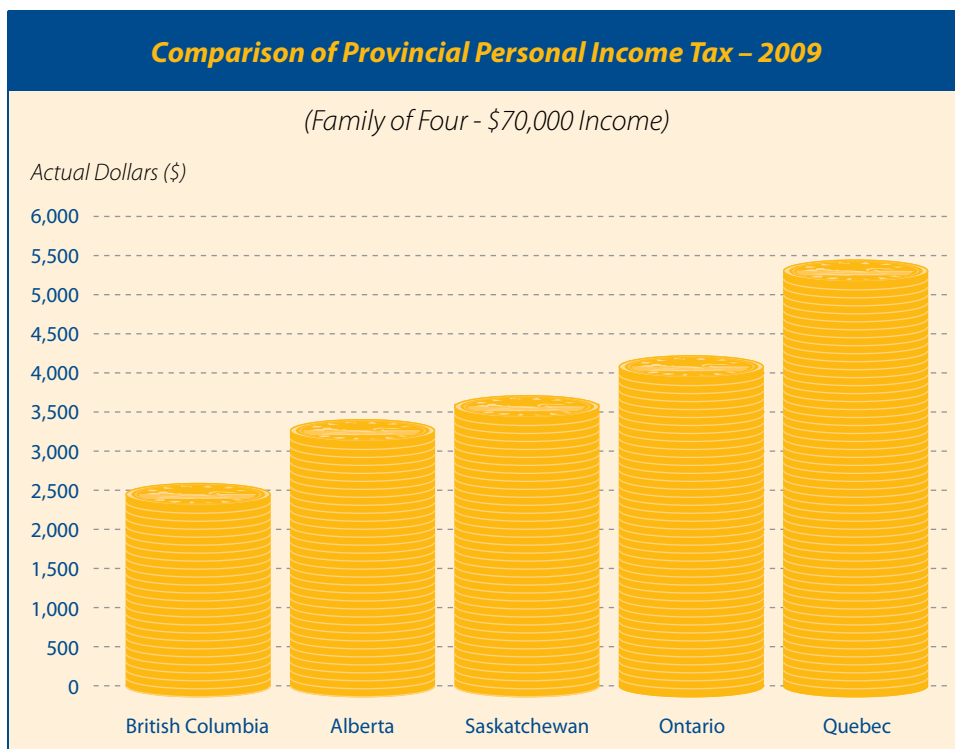
With the September Budget Update, the British Columbia government is taking steps to help consumers make the transition to the new Harmonized Sales Tax.

Effective January 1, 2010, taxpayers will see the basic personal income tax credit increase to \$11,000 from \$9,373, an increase of 17 per cent.

As a result of these and other tax measures introduced by the government, individual British Columbians earning up to \$118,000 annually will pay the lowest provincial personal income taxes in Canada.

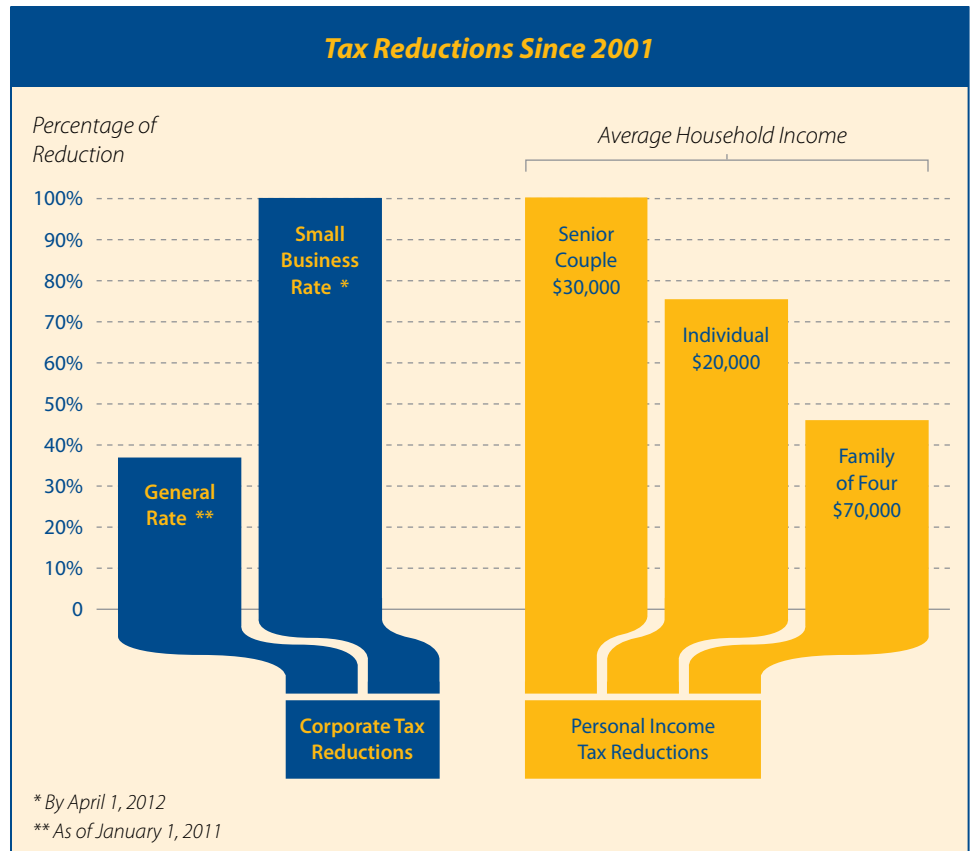
Since 2001, personal income tax rates have been reduced by 37 per cent for most British Columbians, and an additional 325,000 people no longer pay any B.C. income tax.

Individuals in British Columbia now enjoy the lowest provincial income taxes in the country on earnings up to \$118,000. People earning up to \$18,800 will no longer pay any income tax.





This Budget provides over \$400 million a year in income tax relief for individuals, families and small business when the commitment to eliminate the small business tax is fully implemented.



B.C. Harmonized Sales Tax (HST)

The B.C. Government intends to introduce a harmonized sales tax (HST) on July 1, 2010. At a rate of 12 per cent, B.C.'s HST will be the lowest in Canada and represents an important step towards making B.C. one of the most competitive jurisdictions in the world. The HST will lower tax on new investment by 40 per cent, creating jobs and new opportunities in every region of the province.

PROPOSED MEASURES TO HELP CONSUMERS:

- » Provincially administered point-of-sale rebate for home energy.
- » Rebates for new-home buyers, consumers of motor fuels and other products.
- » HST credit to benefit more than 1.1 million low income British Columbians.



H1N1 Flu Preparation

To better protect British Columbians, government is committing \$80 million to provide for vaccines and other supports needed to minimize the impact of the H1N1 flu virus in B.C. in the months ahead.

This funding is in addition to the approximately \$20 million spent on vaccines and other supports for dealing with seasonal influenza in a typical flu season.

Developing Clean Energy

British Columbia's leadership on climate change and our growing expertise in the field of green technology now includes over 250 companies, providing jobs for more than 3,500 people.

That is why the Province will continue to invest in research and development in areas such as solar, geothermal, tidal, wind and bio-energy.

Since 2008, the Innovative Clean Energy (ICE) Fund has approved investments of over \$47 million in 34 projects across B.C. to help develop clean, renewable energy technologies. With this budget, we are taking steps to keep that momentum going.

Currently, the ICE Fund is supported by a levy on people's monthly energy bills. With the introduction of the HST, that levy will disappear — but we continue to support the ICE Fund.

A New Relationship with First Nations

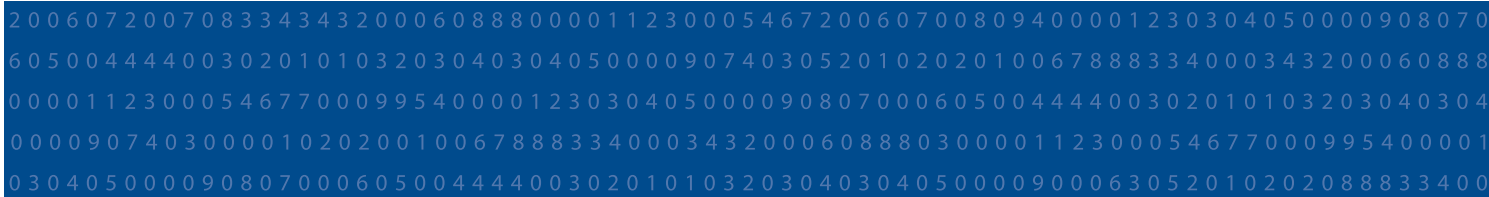
Government is committed to the goal of building a new relationship with First Nations and Aboriginal people based on mutual respect, recognition, and reconciliation.

We are pursuing new treaties, as well as agreements on shared decision making. We are working with economic partners, communities and with all British Columbians to explore new solutions.

Toward this goal, the Budget Update includes \$31 million in funding over the next three years for implementation of the Maa-Nulth Final Treaty and settlement costs, which was formally approved by the federal government in June.

This represents the first modern-day treaty concluded on Vancouver Island — and holds great promise for the social and economic future of the Maa-nulth people.

British Columbia's leadership on climate change has incredible potential for growth. That is why the Province continues its investment in areas such as solar, geothermal, wind and bio-energy.



As we get ready to showcase British Columbia to the world with the Vancouver 2010 Olympic and Paralympic Winter Games, we also continue to build on our status as Canada's Asia Gateway... strengthening our trading relationships and establishing new markets for our exports.

Towards Growth and Prosperity

From job creation through accelerated infrastructure spending and creating a more competitive tax system, to establishing Canada's Pacific Gateway and hosting the Vancouver 2010 Olympic and Paralympic Winter Games, British Columbia is building for future growth and prosperity.

The 2010 Winter Games will showcase British Columbia to the world, generating new growth in tourism and trade, creating jobs, and bringing an estimated \$4 billion in new business and partnerships. The Games mark the beginning of a new era of growth and development.

B.C. also continues to capitalize on its geographic advantage by expanding relations with Asia-Pacific trading partners. This is creating new jobs and attracting investment to every region of our province.

No global market offers more promise in terms of trade, investment and tourism than the rapidly-growing countries of the Pacific Rim. As Canada's Pacific Gateway, we are uniquely positioned to continue developing the enormous potential this market offers.

As British Columbia emerges from difficult economic times, we are expected to help lead the nation in terms of economic growth. The Budget Update is a fiscal plan that meets the challenges of today, while laying the foundation for a better tomorrow.

For More Information

For more details on the September Budget Update 2009 visit:

www.bcbudget.ca

B.C.'s Harmonized Sales Tax (HST):

www.gov.bc.ca/hst

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