

Ranking Provincial Tax Systems in Canada: Provincial Summary¹

British Columbia

CFIB has produced its 2013 *Small Business Provincial Tax Index* to gauge the competitiveness level of provincial tax systems. The unique aspect of CFIB's research is that it examines elements of the provincial tax system through the lens of the SME owner. It encompasses 53 indicators in five major areas of the tax system—premiums and payroll tax; sales and excise tax; corporate income tax; personal income tax; and property tax.

Overall Index Scores, provincial tax systems, 2013 (10 is best; 0 is worst)

Best (10)		Overall Index Scores	Premiums and Payroll Tax Subindex	Sales and Excise Tax Subindex	Corporate Income Tax Subindex	Personal Income Tax Subindex	Property Tax Subindex
	Alberta	8.53	9.6	9.7	7.3	9.1	5.8
	Saskatchewan	7.01	9.1	3.5	7.5	6.7	7.4
	New Brunswick	6.98	9.2	6.4	6.4	5.7	5.6
	Newfoundland and Labrador	6.17	6.5	4.8	6.7	5.4	7.5
	Prince Edward Island	5.90	7.5	5.0	5.9	3.3	6.9
	Manitoba	5.67	6.5	4.8	7.4	4.1	4.9
	British Columbia	5.65	7.0	1.8	7.6	6.9	4.3
	Ontario	5.50	4.6	7.2	6.1	6.6	3.1
	Nova Scotia	5.22	7.5	4.6	3.7	4.2	4.7
Worst (0)	Quebec	3.97	3.7	5.3	3.0	2.3	5.8

Competitive Advantages:

- ▶ No employer-paid payroll taxes.
- ▶ Relatively low small business and general corporate income tax rates.
- ▶ Low number of corporate income tax credits.
- ▶ Relatively low personal income tax payable at all levels.
- ▶ Lowest personal income tax bottom rate among all provinces.

¹ This is a summary based on the full report *Ranking Provincial Tax Systems in Canada: CFIB's 2013 Small Business Provincial Index*. CFIB, 2013. www.cfib.ca/a5557e.

Areas for Improvement:

Premiums and Payroll Tax

- ▶ Review workers' compensation rates for individual industries relative to other provinces to ensure they are comparable and reasonable.
- ▶ Bring maximum insurable earnings into line with British Columbia's average yearly earnings.
- ▶ Reduce or eliminate employee paid health premiums, which are the highest in the country for an average income earner.

Sales and Excise Taxes

- ▶ Reduce PST rate.
- ▶ Eliminate tax in business inputs.
- ▶ Reduce fuel tax on gasoline and diesel fuel—the highest in the country.
- ▶ Consider a single tax administration (e.g. Harmonized Sales Tax) for retail sales tax.
- ▶ Reduce insurance taxes for automobile, property and other business insurance premiums.

Corporate Income Tax

- ▶ Consider a reduction in the M&P tax rate or the introduction of a M&P tax credit.
- ▶ Reduce total number of industry-specific tax credits in favour of broad-based tax credits available to all businesses.

Personal Income Tax

- ▶ Reduce top income bracket tax rate.
- ▶ Increase basic personal exemption.
- ▶ Increase threshold for level of income to which the top rate applies.
- ▶ Reduce number of tax credits.
- ▶ Reduce the difference between basic personal and spousal exemption.

Property and Capital Tax

- ▶ Reduce reliance on property taxes.
- ▶ Address the high commercial-to-residential property tax ratio.
- ▶ Reduce or eliminate provincial real estate transfer tax, which is the second highest in the country.
- ▶ Reduce or eliminate probate taxes and fees, which are the second highest in the country.