INVESTMENT INDUSTRY ASSOCIATION OF CANADA
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For Immediate Release

BC Budget 2017: Sound fiscal management leaves British Columbia well-positioned to attract foreign and domestic capital for jobs and growth

Victoria, BC, February 21, 2017 – British Columbia has turned in another stellar budgetary performance for the fiscal year ending March 31, 2017. The forecasted budget surplus of $1.5 billion for fiscal 2016-17 is the latest in a five-year string of consecutive surpluses, a record far exceeding the fiscal performance of any other government in the country in recent years. Budget 2017 projects surpluses over the next three fiscal years.

The public debt burden (measured as the ratio of debt-to-GDP) is forecast to decline to 15.9 percent in fiscal 2017-18. By contrast, the public debt burden in each of the two largest Canadian provinces, Ontario and Quebec, is roughly three times higher. BC's consistent sound management of public finances, that translates into relatively low debt carrying costs and a AAA credit rating, gives BC scope to strengthen tax competitiveness to attract capital needed for growth and jobs, and ensure social spending remains on a sound footing.

The Investment Industry Association of Canada (IIAC) is pleased to see the cut to the small business tax rate from 2.5 to 2.0 percent. The BC government also noted that it will extend and enhance sector tax credits for Scientific Research and Experimental Development (SR&ED) and venture capital to support innovation, commercialization, and the tech sector. The government is also phasing out PST on electricity bills for businesses over two years.

"Successful efforts to improve the business climate in the province will draw the attention of foreign and domestic investors as a place to invest capital," said IIAC President and CEO Ian Russell. "These positive efforts should continue, namely lowering the general corporate income tax rate and personal income tax rates, and providing further incentives to assist small companies attract needed capital from investors in private markets, and in listed venture markets. Such measures will boost the province's competitiveness, leaving it less prone to cyclical downturns in the economy or in any particular sector," added Russell.

The province can only do so much through good fiscal management to improve tax competitiveness and incentives for small business capital formation. "The province needs to encourage the federal government to stay focused on the same competitiveness agenda," Russell emphasized.

The projected outlook is for a modest slowdown in growth, reflecting uncertainty associated with U.S. fiscal and trade policy, ongoing fragility in Europe and slower than anticipated Asian demand, particularly in China.

However, accelerating growth in the U.S. economy is a real possibility. BC must be positioned, not just for the prospect of slowing growth, but to take advantage of expanding opportunities.

"BC has the fiscal scope to stimulate capital formation and attract foreign direct investment and the knowledge, technology, organization and management expertise that comes with it. The province should capitalize on its fiscal strength," concluded Russell.

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