

BUDGET 2025 BACKGROUNDER – FACTS AND FIGURES

Key Message Box

- Today's budget is sobering for both businesses and British Columbians. It does not deliver the economic incentives, tax changes, programs or policy shifts that are required to kick-start our economy and which we have been advocating for since before the last election.
- We acknowledge that *Budget 2025* has made significant investments in tax credits for film, TV, animation and video game sectors, which will help attract more production and jobs to the province
- Welcome the incremental \$172 million in additional support for highway maintenance, BC Transit services and the expansion of the Integrated Marketplace Initiative pilot program designed to adopt low-carbon technologies, increase health and safety and increase productivity and competitiveness.
- HOWEVER, the continued reliance on significant deficits, approximately \$10 billion in each of the next three years, is concerning and the budget does not take into account the expected impacts from US tariffs, which could result in further \$1.4 to \$3.7 billion of loss in revenue annually to the province.
- The debt to GDP ratio is going to rise from 22.9% today to 34.4%. This will increase the "interest-bite" by 60.5%, from 4.3 to 6.9 cents per dollar of revenue

Deficit Budgets Continue

Budget 2025 shows ongoing reliance on deficits over the 3-year plan, with an increase in the amounts allocated to contingencies:

	Updated Forecast 2024/25	Budget Estimate 2025/26	Plan 2026/27	Plan 2027/28
(\$ millions)				
Revenue	82,868	84,003	85,715	88,165
Expenses	(92,003)	(94,915)	(95,918)	(98,028)
<i>General Contingencies</i>	3,885	4,000	4,000	4,000
Surplus / (Deficit)	(9,135)	(10,912)	(10,203)	(9,863)

Budget 2025 maintains the previous fiscal plans approach to NOT include extra flexibility to manage economic turbulence from potential changes in provincial revenue through forecast allowances.

To mitigate against unexpected and unknown costs, the Contingencies Vote includes allocations of \$4 billion in each year of the fiscal plan. This includes funding to address caseload pressures, cost increases related to a new collective bargaining mandate and emerging priorities. It is a \$3 billion and \$2 billion more budgeted in future years than what was projected in last year's budget.

Economic Outlook

B.C.'s economy experienced moderate growth in 2024 amid relatively high interest rates, persistent price pressures and ongoing global economic uncertainty. Looking ahead, lower population growth resulting from changes to the federal government's immigration policies is expected to moderate the labour market and consumer spending.

The provincial government has projected economic growth to be 1.8% in 2025 and 1.9% in 2026 which is the average of the 13-person independent Economic Forecast Council (see below) as government's projected economic growth. This projected growth means the province has taken a more conservative estimate for revenues from last year's budget when they projected growth to be above the forecast Council's average projections.

Tariffs

Budget 2025 was delivered on the same day the United States implemented unjustified 25% tariffs on all Canadian products entering their country. While the budget assumes tariffs are, "expected to lead to significant economic disruptions to B.C.'s economy," the actual impacts on government financial performance will need to be adjusted based on the impacts that are felt. The budget documents provided a scenario of what might happen

Potential Impacts of US Tariffs

Indicator	Budget 2025 Scenario
Real GDP (cumulative loss)	\$43 billion by 2029
Employment (job loss)	45,000 fewer jobs by 2029
Unemployment Rates (increase)	6.4% in 2025 & 6.7% in 2026
Corporate Profits (annual decline)	\$3.2 to \$5.0 billion
Revenue (annual loss)	Up to \$1.4 billion*

*If combined with economic impacts in the Budget 2025 base case, revenue loss could be between \$1.7 billion to \$3.4 billion annually

The BC Government did note that "while the U.S. is the province's largest trading partner, B.C. has a more diversified and resilient trade structure than other provinces, making the economy relatively less reliant on the U.S. market." In 2024 the share of total goods exported to the US from BC was 52.8% (\$28.7 billion) compared to Ontario and Quebec at 76% and Alberta at 88%.

Budget 2025 assumes that as part of the Federal Government's fiscal policy response they will transfer revenues generated by retaliatory tariffs to households and businesses in the form of support payments and that the Bank of Canada will lower interest rates.

Fiscal Plan

Budget 2025 increases spending by another \$9.9 billion in operating funding across the three-year fiscal plan.

Spending on ministry budgets will rise from \$64.3 billion in the current fiscal year to \$66.1 billion in 2025/26, \$67.0 billion in 2026/27 and \$68.1 billion in the last year of the three-year fiscal plan.

Revenue is forecast to rise to \$84.0 billion in 2025/26 to \$88.2 billion over the three-year fiscal plan.

As a result, Budget 2025 projects continued reliance on deficit spending with a \$10.9 billion, \$10.2 billion in 2026/27 and a \$9.8 billion in 2027/28. It is important to note that these numbers do not include the impacts from the tariffs.

Budget 2025 invests approximately \$20 billion per capital spending on health, transportation, housing and education sectors over the three-year fiscal plan. This will increase the total provincial debt from \$133.0 billion in the current fiscal year to \$208.8 billion over the course of the fiscal plan. A

B.C.'s Debt Picture

Debt will be increased significantly over the fiscal plan:

	Updated Forecast 2024/25	Budget Estimate 2025/26	Plan 2026/27	Plan 2027/28
(\$ millions)				
Taxpayer Supported Debt	97,711	118,719	143,412	166,479
Self-supported Debt	35,305	37,913	40,300	42,351
Total Provincial Debt	133,016	156,632	183,712	208,830
 Debt to GDP Ratio	 22.9%	 26.7%	 30.9%	 34.4%

Of particular note, is that taxpayer-supported debt to GDP ratio is increasing over the fiscal plan – a key metric used by credit rating agencies to 34.4 %.

Government's taxpayer-supported interest costs as a percentage of provincial revenue, commonly referred to as the "interest bite" has risen to 4.3 cents per dollar in 2025/26 to 6.9 cents per dollar spent in 2027/28 – a 60.5% increase over the three-year fiscal plan.

Tax Changes

Government introduced 23 different tax changes in Budget 2025, most of them focused on supporting the film and digital creative sectors.

The changes of note for business were:

Small Business Venture Capital Program Budget Temporarily Increased

Effective for the 2025 to 2027 calendar years, the total annual amount of tax credits that may be approved under the small business venture capital program is temporarily increased by \$15 million to \$53.5 million. An amount of \$10 million per year is allocated equally between the investment streams for new businesses, clean technology, interactive digital media, and businesses located outside of the Metro Vancouver and Capital regional districts. The remaining \$5 million per year is available for investments in all businesses eligible to participate in the program.

New Speculation and Vacancy Tax Rates Introduced

Effective January 1, 2026, the rate for Canadian citizens and permanent residents who are not untaxed worldwide earners, as well as others currently taxable at 0.5 per cent under the *Speculation and Vacancy Tax Act* will increase from 0.5 per cent to 1 per cent.

The rate for foreign owners and untaxed worldwide earners, as well as others specified under the *Speculation and Vacancy Tax Act* currently taxed at 2 per cent, will increase from 2 per cent to 3 per cent.

Predator Ridge Excluded from Speculation and Vacancy Tax Specified Area

Effective retroactively to January 1, 2024, the Predator Ridge resort in the City of Vernon is excluded from the specified area for the speculation and vacancy tax.

Exemption for Used Zero-Emission Vehicles Eliminated

Effective May 1, 2025, used zero-emission vehicles will be subject to provincial sales tax. The exemption for used zero-emission vehicles that was introduced in *Budget 2022* was originally scheduled to end in 2027.

Chamber Highlights or 'Wins'

Budget 2025 was sobering as it provides little reasons for optimism that BC's business community. However, there are some investments that are worthy of being highlighted, include some issues that the BC Chamber has advocated for:

- \$30 million for scaling and to build on the success of a three-year pilot to continue and expand the Integrated Marketplace Initiative. Program connects sellers of emerging BC-based technologies with key buyers at test sites to validate customer use case and demonstrate early market adoption of new products and services.

- \$95 million over three years for critical highway and bridge maintenance across the province. This investment is in addition to the \$207 million over three years provided in last year's budget for the maintenance of the Province's 47,000 kilometres of highway and more than 3,000 bridges.
- \$47 million over three years to support community transportation networks provided by BC Transit, to ensure reliable bus and handyDART services in 130 communities outside the lower mainland.
- \$325 million in new funding over three years to provide more community-specific supports to help people living in encampments and initiatives that respond to public safety concerns related to repeat, violent offenders in B.C. communities. Funding also helps to build capacity to ensure timely access to justice and other public safety programs.
- \$318 million more to BC Builds over the next three years. This funding is supported by continued access of up to \$2 billion in provincial financing, and an additional \$2 billion in federal financing provided through the Apartment Construction Loan Program.
- ICBC is providing a \$110 rebate to eligible drivers with payments anticipated in April, 2025

More Information

For those who are interested in reading the budget documents, they can be found at:

<https://www.bcbudget.gov.bc.ca/2025/>