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## STAFF REPORT

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**TO:** Chief Administrative Officer  
**FROM:** Ronnie Gill, Director of Finance  
**SUBJECT:** 2026 Provincial Budget Implications  
**MEETING DATE:** June 3, 2026

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### PURPOSE

The Provincial budget, announced in February 2026, contained changes that will affect the Town of Lake Cowichan and its residents.

### BACKGROUND

The following are some of changes announced in the budget that will impact the Town of Lake Cowichan:

1. The interest rate for new property tax deferrals is now set at prime plus 2% and will compound monthly (previously simple interest). Any property taxes deferred in 2025 or earlier will continue to accrue interest at their original terms.
2. Effective October 2026 the PST tax base is being expanded to include professional services such as accounting and bookkeeping, architectural, geoscientist and engineering services.
3. Effective 2027, the northern and rural homeowner grant is being eliminated.

### IMPLICATIONS

a. **Financial:**

The expansion of the PST to include previously exempt supplies will increase the costs incurred for professional services. Specifically, an additional 7% on engineering

services could have an adverse effect on budgets in future years that contain large capital projects.

The elimination of the \$200 Rural and Northern Homeowner grant will affect every homeowner occupied residence in Lake Cowichan. The regular grant will be reduced from \$770 to \$570, and the seniors (over 65) grant will be reduced from \$1,045 to \$845.

In 2025, the Lake Cowichan homeowners claimed 1,298 grant applications for a total value of \$1,182,560. The elimination of the \$200 R&N grant would potentially reduce the grants claimed by \$259,600 next year.

b. **Policy/Legislation:**  
N/A

c. **Strategic Priority:**  
N/A

d. **Sustainability:**  
N/A

e. **Communication:**

Expansion of PST: Council could lobby the Province Government to request an exemption from PST (for local governments) for the services previously exempt from PST. In Lake Cowichan, where a 1% tax increase results in less than \$30,000 in property tax revenue, a 7% increase could adversely affect budgets in future years.

Elimination of N&R homeowner grant: The elimination of the rural and northern homeowner grant will result in the loss of \$200 for every owner-occupied household. Next year, this reduction will likely be seen as a \$200 property tax increase by Lake Cowichan homeowners. Council may want to lobby the Province to reverse their decision on the elimination of the additional grant.

f. **Staffing Implication: N/A**

## **Recommendation**

Council may consider resolutions to UBCM or support other communities that may be lobbying for these changes.

Signed:

***Ronnie Gill***

Ronnie Gill, CPA, CGA

Director of Finance

Concurrence:

**John T**

John Thomas

Chief Administrative Officer