



# British Columbia's Competitive Tax Advantage



International Financial Centre

BRITISH COLUMBIA

**metro  
vancouver  
commerce**

POWERHOUSE PARADISE

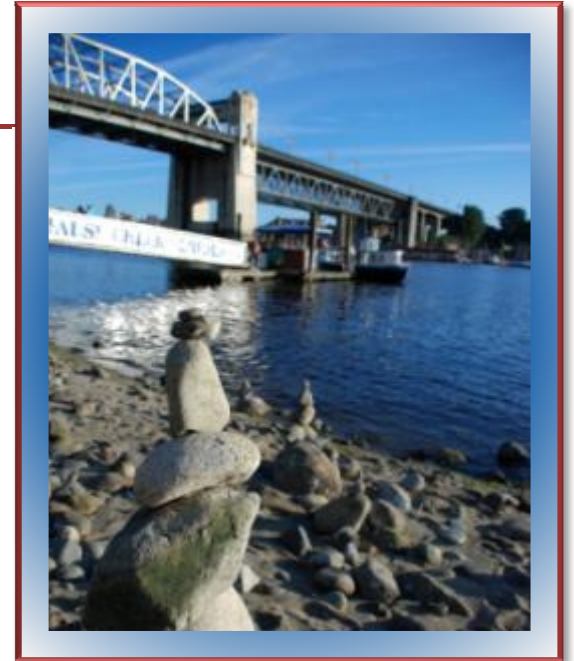
Bruce Flexman, President

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## TODAY'S PRESENTATION

International Business Tax Incentive

Tax Policy in BC



## INTERNATIONAL BUSINESS TAX INCENTIVE

**A tax rate of  
15%**

- B.C. refunds a registered company's provincial tax (10.0% as of January 1, 2011) paid on income from qualifying international activities (75% for patent activities)
  - This effectively reduces corporate tax to the federal rate of 16.5% in 2011 (15.0% in 2012)
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**Anywhere in  
B.C.**

- A company can do business from any location in the Province—not only Greater Vancouver
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**Qualify based  
on activity**

- All companies doing qualifying international business can register a business in the program. A company does not need to be a financial institution to qualify.



## ELIGIBLE INTERNATIONAL ACTIVITIES

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### Financial

- Financial advice and research
- Trade finance; factoring
- Arm's length loans and deposits
- Leasing
- Dealing in securities
- Dealing in foreign exchange
- Managing foreign exchange investments
- Export and import financing
- Insurance, including captives
- Management and administration of investment funds (new in 2010)

### Non-financial

- Administrative Support
- Patents: life science and green-related
- Short-term securities trading by a corporation
- Film and television distribution
- Equipment and data back-up
- Digital media distribution (new in 2010)
- Clean technology (new in 2010)
- Certification and trading of carbon credits (new in 2010)

## **NEW AREAS BEING INCENTED**

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Clean technology

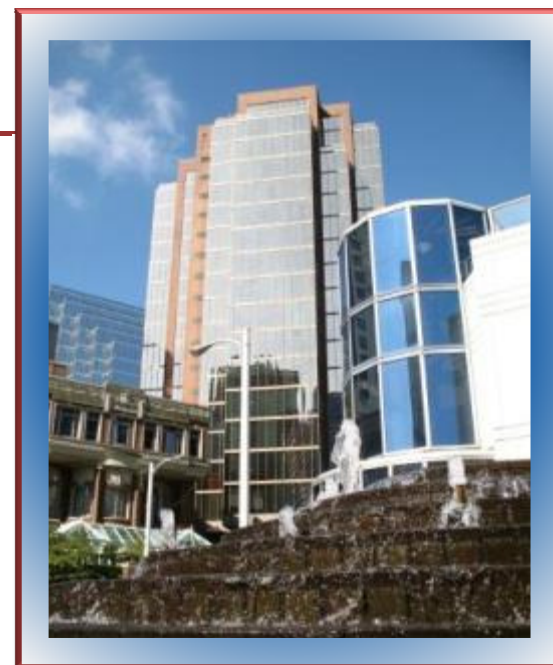
**Certification and trading of carbon credits**

**Investment fund management and administration**

## FINANCIAL AND CORPORATE TREASURY

### Opportunities for business

- Companies can provide corporate treasury services to North American/worldwide operations at a reduced tax cost.
- The tax rate of 15% in Canada (in 2012) compares favourably with an average 40% in the U.S.



### Qualifying Business

- Factoring and collecting trade accounts receivable
- Leasing property to non-resident affiliates by way of a financial lease
- Short-term securities trading by a non-financial corporation
- Managing investments for non-resident affiliates
- Managing financial portfolios of non-resident affiliates
- Providing financial advice (accounting, tax) to non-resident affiliates

## SPECIALISTS: GENERAL AND EXECUTIVE

### Refund for employees

- Refund is:
  - 100% in Years 1 and 2
  - 75% in Year 3
  - 50% in Year 4
  - 25% in Year 5
- **Maximum marginal tax rate (Years 1 and 2) drops from 43.7% to 29.0%.**



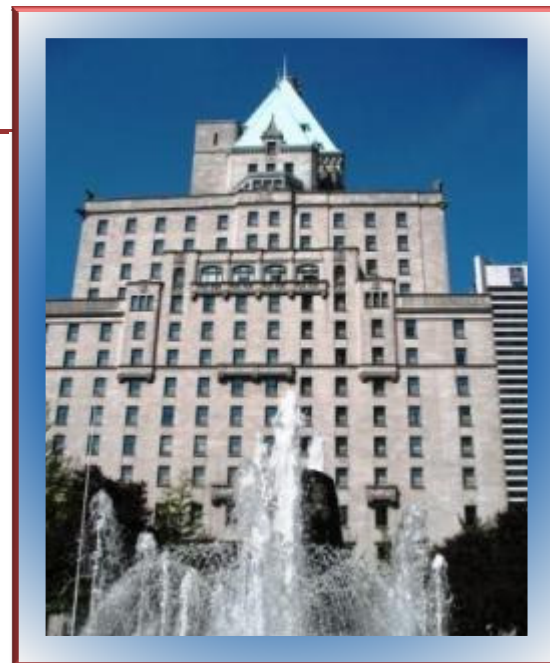
### Requirements and eligibility

- Compensation minimum of \$100,000 (\$250,000 –Executive)
- Must be transferred from outside of Canada and have an employment agreement in place prior to arriving in Canada
- 70% time requirement in qualifying business. (Administrative support, back-up office services, Executive specialists have no time requirement)
- Administrative support and back-up service Specialists limited to 4
- Executive specialists are limited to 2
- General specialists not allowed for patent activities

## QUALIFYING CRITERIA

### Requirements for business

- Qualifying activities
  - Canadian incorporated
  - Office in BC
  - Register with the B.C. Government
  - Join IFC BC
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### Benefits for business

- Refund of the 10% B.C. corporate income tax
- 15% corporate tax rate for registered businesses in 2012 (Federal tax only)
- Better environment to grow and expand
- Personal tax benefits for foreign transfers

# INTERNATIONAL FINANCIAL CENTRE BC

## About the IFC BC

- Established by B.C. Government in 1986
  - Non-profit Society with 90+ Members
  - Promotes B.C. as an international business center
  - Board of 24 from business community
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## Selected Members

- HSBC Bank (Canada)
- Bank of Nova Scotia
- Toronto-Dominion Bank
- Royal Bank of Canada
- CIBC
- UBS Bank (Canada)
- JP Morgan Asset Mgmt.
- Kuehne & Nagel Services
- Macquarie Metals & Energy Capital
- Orbis Client Services (Canada)
- Raymond James
- Teck Resources
- International Forest Products
- West Fraser International
- Vancouver City Savings Credit Union
- Western Union Business Solutions

# TAX POLICY IN BC / CANADA

## History

- Reduction in personal tax rates
  - 62.9% → 43.7%
- Reduction in corporate tax rates
  - 50+% → 25%
  - Federal 29.12% → 15%
  - BC 16.5% → 10%
- Capital Tax – Fed + Prov – repealed
- Manufactured sales tax → GST
- PST + GST → HST

## BC Tax

- Few incentives
  - Fed + BC SRED
  - BC TV/ Film
  - Digital Media
  - IBA Program



## QUESTIONS

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