



*The **Vancouver Economic Development Commission**, an agency of the City of Vancouver, works to strengthen the city's economic future by helping existing businesses, attracting investment, researching the business environment and making policy recommendations.*

## **Media Backgrounder**

### **TAXATION**

#### **Overview**

Vancouver, British Columbia, is among the lowest-tax jurisdictions in the developed world. In addition, various types of business are eligible for further tax incentives.

- Current corporate tax rate 28.5%, declining to 25% by 2012 (combined federal and provincial tax rates)
- No Revenue or Gross Receipts Tax
- No sales or use taxes on business inputs (value-added tax system), when the Harmonized Sales Tax is implemented on July 1, 2010.
- No Capital Tax
- B.C. residents with annual incomes up to \$116,000 pay the least income tax in Canada.
- On a total tax basis (income, payroll, sales, property, and other statutory charges), Canada is second only to the Netherlands in terms of lowest corporate tax burden
- Canada and BC have low debt-to-GDP ratios, meaning there is less pressure to increase tax rates to provide government revenue.
- Low statutory labour costs, with government-sponsored health care and unemployment insurance plans further lowering relative costs to employers
- International Financial Centre BC provides strong incentives for eligible international financial activities
- Strong tax incentives for Film & Television, Digital Media, and Research & Development

## **Background**

In the past, Canada and BC's tax rates were much higher, with a combined federal and provincial tax rate of 45% in 2000. This is now 28.5%, declining to 25% by 2012, thanks to government recognition that a small open economy needs a competitive tax environment to prosper. Despite lower tax rates, Canada and BC have maintained an extremely high level of public services, including a public health care system that provides a major competitive advantage to firms in Canada.

### Sector Incentives and Support

#### *Film & Television*

The province has invested heavily in industry infrastructure, and has structured a tax environment that supports digital media and film companies. Eligible labour expenses are refundable as a tax credit to film and television projects as well as digital animation and visual effects (DAVE). Recipient corporations do not have to be Canadian-owned, or have an interest in the copyright.

#### *Financial and Business Services*

The International Financial Activity Act (IFAA) allows corporations carrying out specified international financial activities in B.C., where one part of the transaction is with a non resident, to recoup up to 100 per cent of provincial income taxes. In addition, some expatriate labour may be eligible for a 5-year exemption from provincial income taxes.

#### *Research & Development, Venture Capital*

Tax credits of 30 per cent are available to investors who provide venture capital to small businesses conducting R&D on proprietary technologies and developing interactive digital media products. Investments must be made through a venture capital corporation or directly to an eligible business corporation. Early-stage ventures are also eligible for support from the \$90 million B.C. Renaissance Capital Fund.

### Further Resources

#### → InvestBC

A one-stop shop for information on taxation, business climate, workforce, and other regulations and issues relevant to doing business or investing in BC.

[www.investbc.ca](http://www.investbc.ca)

### **Media Inquiries:**

Rebecca Peters

Laura Ballance Media Group

604.252.3614 (office)

604.762.2098 (cell)

[Rebecca@LBMG.ca](mailto:Rebecca@LBMG.ca)