

welcome changes in the 2008 budget

British Columbia's 2008 Budget

The Provincial Budget, introduced on February 19, 2008, proposed the following amendments to the *International Financial Activity Act (IFAA)*:

- Expand the list of qualifying international financial activities to include short term debt securities trading by non-securities corporations, prescribed human resource and strategic planning activities, and income earned from patents related to green power generation.
- Change the definition of an International Financial Business to include a substantial British Columbia presence test.
- Allow income from certain hedging activities.

Expansion of the IFAA

Management and Control Activities Allowed

Effective February 20, 2008, management and control functions are eligible international financial activities under the IFAA. The prescribed management and control functions will include human resource and strategic planning services provided to a non-resident.

Intellectual Property Expanded to Include Green-Related Patents

Effective March 1, 2008, the list of eligible life-science related patents is expanded to include patents with World Patent Office classifications related to power generation using forces of nature such as wind, solar and tidal.

Allowable Hedging Activities

Effective September 1, 2004, income or loss from certain hedging transactions is allowed in determining eligible income for non-securities corporations.

Short Term Financial Instruments Allowed

Effective February 20, 2008, the IFAA is expanded to allow non-securities corporations to trade in money market investments with a non-resident. These are generally short-term instruments and include treasury bills issued by a government, commercial paper and bankers' acceptances.

Definition of International Financial Business Amended

Effective February 20, 2008, the definition of international financial business is expanded to include a substantial British Columbia presence test. The definition includes the following parameters:

- the corporation carries on an active business, or
- the corporation is affiliated with another corporation that carries on an active business and the corporation pays at least \$300,000 in annual salary and wages to employees employed in the active conduct of the corporation's business and has shares of at least \$10 million related to the business.

Phasing Out British Columbia's Capital Tax

Effective April 1, 2008, British Columbia begins phasing out the corporation capital tax by reducing the rates one-third each year. (The Federal capital tax was eliminated in 2006.) Effective April 1, 2010, financial institutions that have net paid up capital equal to or greater than \$1 billion will be subject to a minimum tax of 1 per cent of B.C. paid up capital. The minimum tax will be reduced by British Columbia corporate income tax payable for that year, the seven preceding years, and the three subsequent years.

British Columbia's Corporate Tax Rate Reduced

Effective July 1, 2008, British Columbia's corporate tax rate will be reduced to 11 per cent from 12 per cent. Further reductions are planned to bring the corporate tax rate to 10 per cent by 2011.

Further Information

The IFA program is administered by the British Columbia Ministry of Small Business and Revenue, Income Taxation Branch. Further information about these changes, as well as detailed information, including qualifying activities, eligibility, calculation of the tax refund, registration requirements, and a copy of the IFAA can be found at their website at www.sbr.gov.bc.ca/business/Income_Taxes/International_Financial_Activity/ifa.htm.

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