

The International Financial Centre British Columbia (IFC BC) is a non-profit society, established in 1986, in the business of marketing the many advantages British Columbia has to offer as a location for corporate investment, including an educated and multilingual workforce, an outstanding telecommunications infrastructure, and a high standard of living. The IFC BC encourages corporations to take advantage of a unique tax incentive program, known as the International Financial Activity (IFA) program.

The IFA Program Can Increase Profits

Registering a business, or part of a business, as a qualifying international financial activity in the IFA program can increase profits. Corporations and employee specialists who work for those corporations can obtain a refund of British Columbia tax paid on income earned on qualifying activities carried on in British Columbia. Most activities qualify for a full refund; qualifying patents are eligible for a 75 per cent refund to a maximum of \$8 million. Registered employee specialists can receive a 75 per cent refund of British Columbia income tax for a maximum of five years.

In most cases, both arm's length and non-arm's length transactions qualify. Companies must meet certain criteria, including incorporation in Canada and a permanent establishment in British Columbia.

Qualifying International Financial Activities

One side of the transaction must be carried out for, with, or on behalf of a non-resident for activities to qualify:

- Strategic management services and human resource activities provided by the head office of a corporation (new in 2008).
- Trading in short-term investments (except derivatives) by a non-securities company (new in 2008).
- Certain treasury and cash management functions, such as loans and deposits, guaranteeing the payment of a debt, managing foreign exchange, and many other activities needed to maintain corporate liquidity.
- Factoring receivables where receivables have been purchased without recourse.
- Administrative support services directly related to a financial activity.
- Back-up office services, described as providing services, equipment and premises to continue the business operations of the non-resident in the event their primary equipment or premises become temporarily unusable.
- Insuring or reinsuring risks, other than life, sickness or accident. Arm's length required except for captives.
- Providing financial advice.
- Foreign exchange dealing by financial institutions or a corporation in the business of foreign exchange (only arm's length transactions qualify).
- Managing foreign exchange.
- Managing investments.
- Managing, for a resident, investments in securities issued by a non-resident and not listed on a Canadian exchange.
- Dealing in securities by a securities corporation.
- Preparing stock market or financial research.
- Distributing film and television rights, including ancillary rights.
- Leasing property by means of a direct financing lease.
- Activities related to patents: life science and green-related (new in 2008). Selling, assigning, or licensing an allowed patent; selling a good or service where the revenue is based on an invention for which an allowed patent is owned by the corporation. The benefit for this activity is a 75% refund to a maximum of \$8 million. Green-related patents are those that use forces of nature such as wind, solar and tidal to generate power. See the website of the BC Ministry of Small Business and Revenue for a complete list of eligible patents.
- Collecting trade account receivables.
- Letters of credit and documentary collections (only arm's length transactions qualify).

Further Information

The IFA program is administered by the British Columbia Ministry of Small Business and Revenue. More information, including qualifying activities, eligibility, calculation of the tax refund, registration requirements as well as a copy of the legislation can be found at www.sbr.gov.bc.ca/business/Income_Taxes/International_Financial_Activity/ifa.htm

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