

# registering an international financial business

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 through the International Financial Activity (IFA) program. The legislative framework for the IFA program is provided by the *International Financial Activity Act* (IFAA).

The IFA program is administered by the British Columbia Ministry of Small Business and Revenue. Detailed information, including qualifying activities, eligibility, calculation of the tax refund, registration requirements as well as a copy of the IFAA can be found on the website at [www.sbr.gov.bc.ca/business/Income\\_Taxes/International\\_Financial\\_Activity/ifa.htm](http://www.sbr.gov.bc.ca/business/Income_Taxes/International_Financial_Activity/ifa.htm)

## Overview of an International Financial Business

An “international financial business” (IFB) is defined in the IFAA as a business

- (a) that is a qualifying business carried on by the corporation through a fixed place of business in B.C.; and
- (b) all the activities of which are international financial activities;

A “qualifying business” is further defined in *IFA Regulation* as:

- (a) an active business carried on by the corporation,
- (b) a business carried on by the corporation
  - (i) that is separate from another business that is an active business carried on by the corporation,
  - (ii) for which the income or loss of the business is principally income or loss from a source that is property, and
  - (iii) for which income or loss does not include the income or loss from any source that is property that is
    - (A) incident to the active business carried on by the corporation, or
    - (B) used or held principally for the purpose of gaining or producing income from the active business carried on by the corporation, or
- (c) a business carried on by the corporation if that corporation
  - (i) is affiliated with or not dealing at arm’s length with another corporation that carried on an active business,
  - (ii) at the particular time for the purposes of this Act, has capital employed in British Columbia in an amount equal to or greater than \$10,000,000 and
  - (iii) for the particular taxation year, paid salary and wages to employees of the corporation employed in the active conduct of the business in British Columbia in an amount equal to or greater than
    - (A) \$300,000, or
    - (B) if the taxation year is less than 365 days, the amount that is that a proportion of \$300,000 that the number of days in the taxation year bears to 365.

## Registration Requirements

A corporation must meet certain criteria to qualify:

- Incorporation in Canada
- A permanent establishment in B.C.
- Not exempt from income tax under the *Income Tax Act* (Canada)
- Establish and carry on an International Financial Business within 90 days of registration
- Establish and maintain membership in the IFC BC Society
- An application fee of \$5,000 (\$4,000 is refunded if the application is refused).

## Further Clarification

If you require clarification of complex issues, you can request an advance ruling or a technical interpretation from the Ministry of Small Business and Revenue. The Branch will issue, at no cost, written advance rulings and technical interpretations to explain matters relating to the IFAA. Past rulings and technical interpretations can be found by linking through the above website ([www.sbr.gov.bc.ca/business/Income\\_Taxes/International\\_Financial\\_Activity/ifa.htm](http://www.sbr.gov.bc.ca/business/Income_Taxes/International_Financial_Activity/ifa.htm)) to “Rulings and Technical Interpretations”.