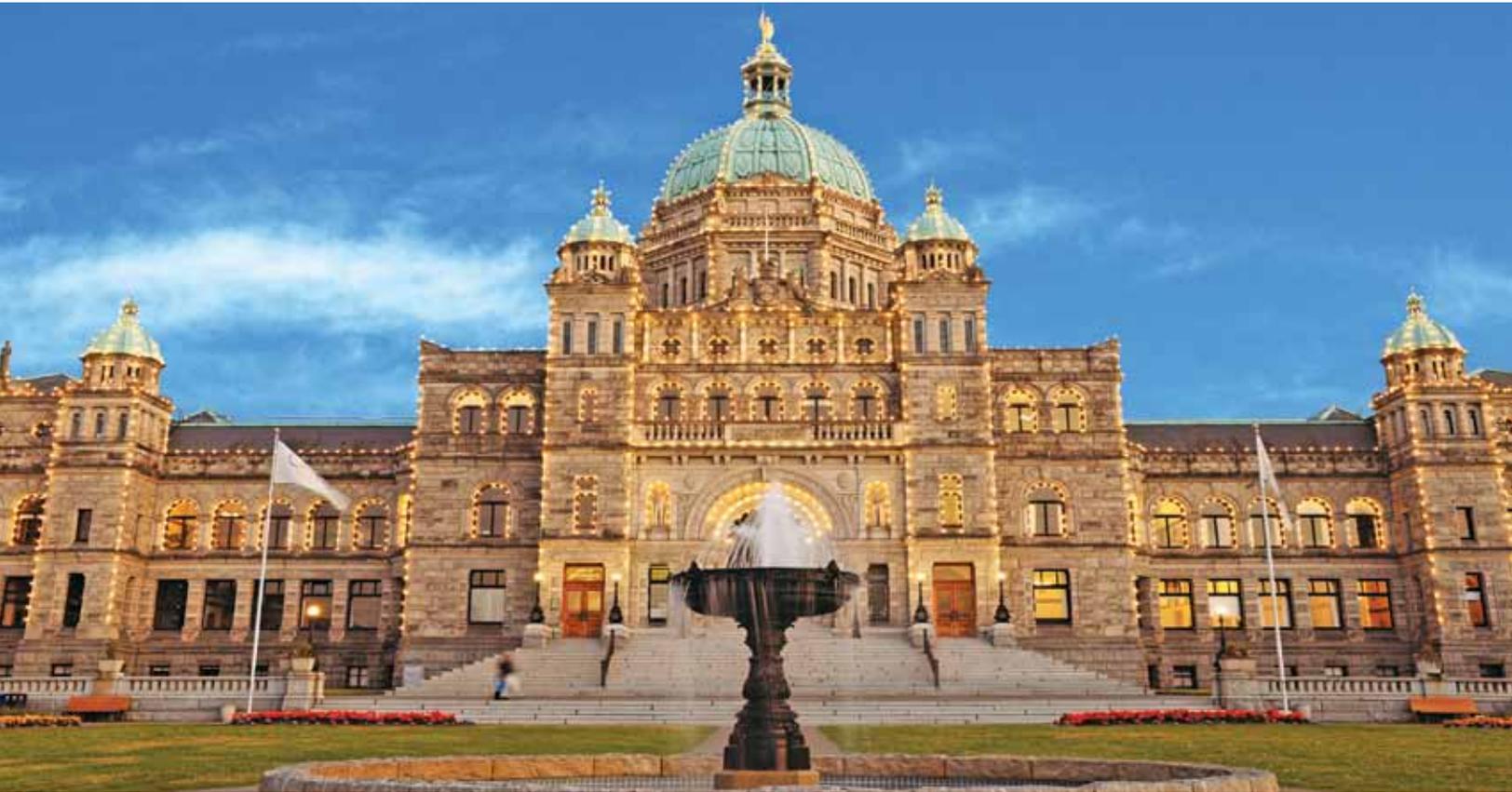


Registering An International Business



Registering an International Business

An eligible corporation must register itself, and any specialists it employs, under the *International Business Activity Act* (IBAA) to qualify for the IBA program. An international business is defined as:

- an **international financial business**;
- an **international patent business**;
- an **international film distribution business**.

International Financial Business

An “international financial business” (IFB) is defined in the IBAA as a business that is a qualifying financial business carried on by the corporation through a fixed place of business in British Columbia, all the activities of which are international financial activities.

To be a “qualifying financial business”, a corporation will have to satisfy one of the following criteria establishing a substantial British Columbia presence:

- the corporation carries on an “active business”;
- the corporation carries on a separate business within a corporation that carries on an active business where that separate business earns income principally from property (such as treasury activities), other than from property used in or incident to the active business; or
- the corporation is affiliated with another corporation that carries on an active business, the corporation pays at least \$300,000 in annual salary and wages to employees employed in the active conduct of the corporation’s qualifying financial business and the corporation has “capital employed in BC” of at least \$10 million.

Qualifying Activities

The following activities qualify as international financial activities of a corporation if carried out for or with a non-resident:

- Making loans to or taking deposits from a non-resident (arm’s length only)
- Trade financing, including letters of credit
- Factoring or collecting trade receivables from a non-resident where receivables have been purchased without recourse
- Dealing in foreign exchange other than on the corporation’s own account (applies to banks and companies with a primary business in foreign exchange)

International Patent Business

An international patent business is a business, all of the revenue of which is derived from one or more of the following transactions:

- selling, assigning or licensing to a non-resident person a patent within an eligible class of patents;
- selling to a non-resident person, a good or service in respect of which the sales revenue is derived from an invention for which an eligible patent is owned by the corporation.

- Managing investments in securities for residents where the securities were issued by a non-resident and are not listed on a Canadian stock exchange
- Managing foreign exchange or investments for non-residents
- Providing administrative support services directly related to a financial activity of a non-resident financial business
- Providing back-up services, equipment and premises for a non-resident in the event primary equipment or premises become temporarily unusable
- Providing financial advice and financial research to a non-resident
- Acting as principal in acquiring, disposing of, subscribing for or underwriting securities for a non-resident (securities corporations only)
- Acting as agent for a resident in making an agreement with a non-resident to acquire, dispose of, or underwrite securities, except securities listed on a Canadian stock exchange (securities corporations only)
- Acting as principal in making or offering to make with a non-resident an agreement for acquiring or disposing of prescribed securities (non-securities corporations)
- Acting as agent for a non-resident in making or offering to make with a resident or non-resident person an agreement for acquiring, disposing of, subscribing for or underwriting securities
- Property leasing to a non-resident by direct financing lease
- Insuring risks, other than life, sickness or accident relating to non-resident persons and relating to property or events outside Canada (includes captive insurance)

- Licensing to a non-resident person includes a joint research and development licensing agreement that is directly related to a patent within an eligible class of patents.
- The eligible class of patents incorporates patents in certain inventions related to life sciences, clean power generation, waste water treatment, and fuel cell technology. View the list of eligible patents at www.sbr.gov.bc.ca/business/Income_Taxes/International_Business_Activity/about/patents.htm.

International Film Distribution Business

An international film distribution business is a business carried on by the corporation through a fixed place of business in B.C., all of the revenue being derived from the following transactions:

- selling, assigning or licensing rights to a non-resident person to distribute outside of Canada a film or television production, other than a production that is pornography, or

- selling, assigning or licensing rights to a non-resident person to exploit outside of Canada anything related to the production.

Registering a Corporation in the IBA Program

To register for the IBA program, corporations must complete and submit an *Application for Registration of a Corporation form* (FIN 574) together with all applicable attachments.

Required Information

- Incorporating and legal documentation
- Business plan
- List of international financial activities or qualifying transactions
- List of locations
- Recent financial statements
- Recent corporate income tax return
- List of directors and contact information
- List of related or affiliated persons

Fees

Pay a fee of \$5,000 (there is no tax on the fee). If the corporation is refused registration, \$4,000 is refunded.

Date of Registration

The effective date of registration for a corporation is the date that the Ministry of Finance determines the corporation has met the registration requirements.

Eligible Corporations

A corporation will qualify for registration under the IBA program if it meets the following criteria:

- it was and continues to be incorporated in Canada* and since incorporation it has not been continued outside of Canada

- it has a permanent establishment in British Columbia
- it is not exempt from income tax under the *Income Tax Act* (British Columbia)
- it establishes and carries on a qualifying international business
- it establishes and maintains a membership in AdvantageBC (see below "Membership in AdvantageBC")
- it keeps its books and records in British Columbia

Conditions of Registration

In addition to continuing to meet the requirements necessary for registration, a corporation must also:

- continue to carry on an international business
- continue to maintain membership in AdvantageBC
- continue to maintain a permanent establishment in British Columbia
- keep its books and records in British Columbia

For information about registration, visit the website of the Ministry of Finance, IBA program at www.sbr.gov.bc.ca/business/Income_Taxes/International_Business_Activity/iba.htm for forms and detailed information.

* *The government of British Columbia announced that branches of foreign banks operating in Canada (Schedule III banks) will qualify for B.C.'s IBA program; however, the regulations to implement this change have not yet been made effective.*

Membership in AdvantageBC

AdvantageBC's mandate is to represent member's interest in the program and attract and grow the international business program in British Columbia.

- A registered corporation must become a member of AdvantageBC within 90 days after the Notice of Registration.
- Membership applications are made to AdvantageBC. Further information and a registration form is available online at www.advantagebc.ca/ABC-joining.htm.

- Members registered in the IBA program, or Core members, pay an annual fee of \$1,000 and an annual participation fee of 0.45% of the income eligible for a refund, provided the registered corporation claims a refund.
- The annual fee for Associate Members, or those not registered in the IBA program, is \$300.

Employees of Registered Companies May Qualify for Provincial Income Tax Refunds

- There are two categories of Specialists: International Business (IB) Specialist and Executive Specialist.
- A registered Specialist can claim a refund of their British Columbia tax on qualifying employment income. The refund is 100% for Years 1 and 2; 75% for Year 3; 50% for Year 4; and 25% for Year 5.
- To qualify as an International Business (IB) Specialist, the employee must earn a minimum annual compensation of \$100,000; for an Executive Specialist, the minimum is \$250,000.
- Specialists must be transferred from outside Canada to provide specific expertise and have an employment agreement in place before arriving in Canada.
- The maximum number of Executive Specialists is 2.
- The maximum number that can be registered as IB Specialist in administrative support and back-up office services is 4.

Registering a Specialist

Requirements

- A registered corporation may apply to register an employee as an IB Specialist by completing the *Application for Registration of an IB Specialist* form (FIN 566).
- There is no fee to register an IB Specialist.
- There is a 5-year term.

Application Procedure

- Corporations must complete and submit an *Application for Registration of an IB Specialist* form (FIN 566) together with all applicable attachments.
- The form and instructions are available on the website of the BC Ministry of Finance. www.sbr.gov.bc.ca/individuals/Income_Taxes/International_Business_Activity/Forms/specialist_registration.htm.

- Required information includes the IBA business of the registered company, the Specialist category, residency status in Canada, job description, written employment contract, social insurance number documents.

Date of Registration

The effective date of registration for an IB Specialist is the later of the following three dates:

- The date the corporation applies for registration of the individual;
- The date the individual begins employment with the corporation;
- The date the corporation became registered for the IBA program by the Ministry of Finance.

Further Information

AdvantageBC International Business Centre • Vancouver (formerly the International Financial Centre British Columbia) was established in 1986 to attract international business to British Columbia by promoting the legislated tax incentive available through the International Business Activity (IBA) program. AdvantageBC communicates the tax incentive program as well as the many advantages British Columbia offers as a location for corporate investment, including an educated and multilingual workforce, an outstanding telecommunications infrastructure, clean and competitive energy, and a high quality of living. For further information, please visit the website of AdvantageBC at www.advantagebc.ca.

The International Business Activity (IBA) program is administered by British Columbia's Ministry of Finance. To qualify, companies must meet certain criteria; please refer to the Ministry's website at www.sbr.gov.bc.ca/business/Income_Taxes/International_Business_Activity/iba.htm for details.

The information contained herein is provided for convenience and guidance only and is not a replacement for the legislation. Businesses considering accessing the benefits under the *International Business Activity Act* (IBAA) should consult with their professional advisors on the applicability of the legislation to their particular circumstances.

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