

A Tax Incentive for Employees



An employee of a company in the International Business Activity (IBA) program can register as a Specialist and receive provincial personal income tax refunds at a rate of 100% for years 1 and 2; 75% for year 3; 50% for year 4; and 25% for year 5.

Executive Specialists

- A member of the executive management of a registered company can apply for Executive Specialist status.
- The executive must have entered into a written contract that requires him or her to work in relation to the qualifying international business.
- The executive must have been non-resident before entering into the contract.
- The executive, and any person related to him or her, must deal at arm's length with the registered corporation.
- Executive Specialists are not required to devote a certain percent of their time to the company's international business.
- The executive must earn a minimum annual compensation of \$250,000.
- For a related group of program participants, only two Executive Specialists may qualify.
- The executive must apply for registration by December 31 of the year in which he or she becomes resident of Canada.
- A registered corporation that carries on an international business that is an international patent business may only register a Specialist as an Executive Specialist.

International Business Specialists

International Financial Activity Specialists

- Employees of companies carrying on an international financial business may qualify for this status.
- The employee must be a non-resident of Canada immediately before entering into a written employment contract with the registered corporation.
- The employee must earn a minimum annual compensation of \$100,000.
- The employee must specialize in international financial activities other than administrative support activities or back-up services.
- Under the employment contract, the employee must devote at least 70% of his or her working time to performing the qualifying international financial activities in which he or she specializes.

Administrative Support and Back-Up Services Specialists

- Employees of registered businesses carrying on qualifying administrative support and back-up services may qualify for this status.
- The employee must be a non-resident of Canada immediately before entering into a written employment contract with the registered corporation.
- The employee, and any person related to him or her, must deal at arm's length with the registered corporation.
- For a related group of program participants, only four such employees may qualify.
- The employee must earn a minimum annual compensation of \$100,000.
- The employee must have entered into a written contract that requires him or her to work in relation to the qualifying international business.
- Administrative support or back-up office services specialists are not required to devote a certain percent of their time to the company's international business.
- The employee must apply for registration by December 31 of the year in which he or she becomes resident of Canada.

Designated International Business Specialists

- Employees of companies carrying on a registered international business (international television/film distribution) may qualify for this status.
- The employee must be a non-resident of Canada immediately before entering into a written employment contract with the registered corporation.
- The employee must earn a minimum annual compensation of \$100,000.
- Under the employment contract, the employee must devote at least 70% of his or her working time to performing the qualifying international financial activities in the registered business.
- A registered corporation that carries on an international business that is an international patent business may only register a Specialist as an Executive Specialist.

Tax savings analysis – Executive Specialist

Assuming

- The executive earns income of \$250,000 annually for five years.
- The company is registered in the IBA program.
- The executive is a registered Executive Specialist.
- Provincial and federal tax rates remain unchanged for the five-year period.

Estimated Savings on \$250,000*

	Combined Provincial and Federal Marginal Tax Rate	Estimated Refund on Provincial Taxes Paid
Year 1	29.00%	\$30,000
Year 2	29.00%	\$30,000
Year 3	32.67%	\$22,000
Year 4	36.35%	\$15,000
Year 5	40.02%	\$7,000

* Calculations exclude any available personal and other tax credits.

Tax savings analysis – Employee Specialist

Assuming

- The employee earns income of \$100,000 annually for five years.
- The company is registered in the IBA program.
- The employee is a registered International Business Specialist.
- Provincial and federal tax rates remain unchanged for the five-year period.

Estimated Savings on \$100,000*

	Combined Provincial and Federal Marginal Tax Rate	Estimated Refund on Provincial Taxes Paid
Year 1	26.00%	\$8,000
Year 2	26.00%	\$8,000
Year 3	29.08%	\$6,000
Year 4	32.15%	\$4,000
Year 5	25.23%	\$2,000

British Columbia's competitive personal tax rates

	Maximum Personal Tax Rate
Hong Kong	15.0%
Singapore	20.0%
Canada (IBA Specialist)	29.0%
India	30.0%
Mexico	30.0%
United States	35.0%
Korea	38.0%
Canada (B.C.)	43.7%
France	45.0%
China	45.0%
Germany	45.0%
Japan	50.0%
United Kingdom	50.0%
Netherlands	52.0%

KPMG 2012 Individual Tax Rate Survey

- On income up to \$120,000, residents of British Columbia now pay the lowest provincial personal income tax in Canada.
- The British Columbia Provincial Nominee Program helps fast-track immigration for highly skilled foreign workers and business entrepreneurs.
- Over the past five years, more than 200,000 immigrants have settled in B.C. enriching the province's talent pool, international networks, cultural diversity and multi-lingual capabilities.
- B.C.'s population grew 7% in the 5-year period from 2006 to 2011. Over 66% of that 7% increase was the result of international immigration.
- Vancouver's public transportation network is extensive. Vancouver International Airport is Canada's second-largest and busiest global gateway to Asia.
- Vancouver is one of the world's most livable cities, according to the *Economist Intelligence Unit's* most recent livability ranking survey of 140 cities.
- The Mercer Human Resource Consulting's 2011 *Quality of Living Survey* ranks Vancouver first in North America and fifth worldwide for quality of life.

British Columbia's tax advantage for qualifying international business

British Columbia's International Business Activity (IBA) program allows a registered company to receive up to a full refund of provincial tax paid on the net income of the qualifying international business (75% for patent activity).

IBA registrants enjoy an effective tax rate of 15% on qualifying income.

Qualifying activities are financial and non-financial in nature; one side of the transaction is generally a non-resident.

- **Providing financial advice or financial research** for a non-resident.
- **Foreign exchange dealing** (resident or a non-resident; only financial institutions and companies with a primary business in foreign exchange qualify).
- **Making loans to or taking deposits from** a non-resident (arm's length only).
- **Dealing in short-term investments** with a non-resident by a non-securities company.

- **Managing foreign exchange or investments** for a nonresident.
- **Factoring receivables** where receivables have been purchased from a non-resident without recourse.
- **Providing administrative support services** directly related to a financial activity of a non-resident financial business.
- **Securities dealing** by a securities company in transactions with a non-resident person; or acting as agent for a non-resident of Canada in transactions involving non-Canadian securities with a non-resident of Canada.
- **Selling, assigning, or licensing an eligible patent, and selling a good or service where the revenue flows from an invention for which an eligible patent is owned by the corporation;** eligible patents include life science and certain green-related patents (wastewater, fuel cell, power generation—wind, solar, and tidal), and the benefit is a 75% refund to a maximum of \$8 million.
- **Distributing film and television** rights outside Canada.

Note: Qualifying businesses may be newly expanded to include digital media distribution, clean technology, carbon credit and trading, and additional investment management and administration activities (extension of IBA program benefits to these new areas has been announced but the regulations to make these activities effective have not yet been released).

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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