

Competitive Taxes in British Columbia



British Columbia's businesses benefit from a low corporate income tax rate

	Corporate Tax 2012 Rate
Canada (IBA registered)	15.0
Hong Kong	16.5
Singapore	17.0
Korea	20.0
China	25.0
Canada (B.C.)	25.0
United Kingdom	25.0 (April 1)
Germany	29.4
Mexico	30.0
Australia	30.0
France	33.3
India	34.0
United States	34.0-40.0
Japan	40.7

Source: KPMG Corporate and Indirect Tax Survey 2010, updated for announced changes for 2012 (updates taken from PWC Global Tax Rates).

- British Columbia's corporate tax rate is 10%.
- Canada's corporate tax rate is 15% in 2012.
- A company registered in the International Business Activity (IBA) program can receive up to a full refund of provincial tax on income earned on qualifying activities, incurring only the federal corporate income tax rate of 15% in 2012.

British Columbia has one of the most competitive tax jurisdictions in the world

Total Tax Comparison, Services		Total Tax Index 2010*
Canada	Vancouver (IBA registered)	42.8†
	Vancouver	58.4
	Montreal	60.6
	Toronto	68.4
Mexico	Mexico City	62.4
U.S.	New York City, NY	102.0
	San Diego, CA	102.3
	Portland, OR	102.6
	Trenton, NJ	103.5
	San Francisco, CA	105.8
	Seattle, WA	106.8
U.K.	London	87.1
Netherlands	Amsterdam	91.9
Australia	Sydney	110.4
Germany	Frankfurt	130.9
Italy	Milan	167.2
France	Paris	249.0

*Index compares to US Average of 100.0 †Estimate

Source: KPMG Competitive Alternatives 2010, Special Report: Focus on Tax. Total Tax Index (Services) includes all taxes levied on corporations, including taxes on income, capital, sales, property, local business, and wage-based taxes.

- According to KPMG's *Competitive Alternatives 2010, Special Report: Focus on Tax*, Vancouver, British Columbia has the lowest tax costs of any of the 41 major cities studied. The report compared the tax cost using a Total Tax Index (TTI) score for each location, expressed as an index of total tax paid by corporations in the U.S. Taxes include corporate income tax, capital tax, sales tax, property tax, miscellaneous business tax, and statutory labor costs and wage-based taxes.
- The table above shows Vancouver's standing in the corporate and IT services industries. The sector includes software and video game developers, corporate regional offices, and firms managing international financial and logistics activities between Canada and Asia.
- For the aggregate of all sectors, Vancouver's index of 50.5 ranked first among the 41 cities. Sectors include manufacturing, corporate and IT services, and research and development.
- Canada has the second lowest tax cost for businesses (after Mexico) among 10 countries studied by KPMG.

British Columbia's personal income tax rate comparison

	Maximum Personal Tax Rate
Hong Kong	15.0%
Singapore	20.0%
Canada (IBA Specialist)	29% to 40%
India	30.0%
Mexico	30.0%
Korea	35.0%
United States	35.0-40+%
France	41.0%
Canada (B.C.)	43.7%
China	45.0%
Germany	45.0%
Japan	50.0%
United Kingdom	50.0%
Netherlands	52.0%

Source: KPMG 2011 Individual Tax Rate Survey

- The survey uses the highest rates of personal income tax payable to central governments in each country.
- Results include social security tax.
- Canadian income tax includes a federal and provincial component, and tax rates vary with the province of residence/employment. The top marginal federal rate of 29% is effective at \$127k of taxable income.
- Canadian social security rate is upwards of 6.68%. Maximum employee contribution is approximately \$2.9 per annum.
- On income up to \$119,000, residents of British Columbia pay the lowest provincial personal income tax in Canada.

Employees of registered companies may qualify for provincial income tax refunds

A company in the IBA program can register employees as International Business (IB) Specialists

- Registered IB Specialists 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, the employee must earn a minimum annual compensation of \$100,000.
- The IB Specialist must be transferred from outside Canada to provide specific expertise and have an employment agreement in place before arriving in Canada.
- The IB Specialist must spend at least 70% of his or her time on the qualifying international financial business.
- No time requirement applies to employees in administrative support and back-up office services.
- For a related group of program participants, only four employees in administrative support and back-up office services may qualify.

A company in the IBA program can register the key decision maker(s) as an Executive Specialist

- Registered Executive Specialists can claim a refund of British Columbia tax on qualifying employment income. The refund is 100% in Years 1 and 2; 75% in Year 3; 50% in Year 4; and 25% in Year 5.
- To qualify, the employee must earn minimum annual compensation of \$250,000.
- This compensation must be included in calculating the program participant's international financial business income.
- For a related group of program participants, only two Executive Specialists may qualify.
- The employee must have been a non-resident before entering into the employment contract. The employee must apply for registration by December 31 of the year in which he or she becomes resident of Canada.
- The employee, and any person related to him or her, must deal at arm's length with the registered corporation.

British Columbia's tax advantage for international business activities

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 must be with 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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