



## Season's Greetings!

**On behalf of the IFC BC staff and Board of Directors, I'd like to wish all of our members a most wonderful holiday season!**

**Sincerely,  
Bruce Flexman,  
President**

## Upcoming Events

### Holiday Reception for Members

December 10, 2008

4:45 p.m.

The Vancouver Club

### IFC BC AGM

The IFC BC 2009 Annual General Meeting

April 1, 2009

12:00 p.m.

The Vancouver Club

### IFC BC Annual Golf Tournament

The IFC BC 14th Annual Golf Tournament

May 14, 2009

University Golf Club

**Please call 604-683-6626 for information and registration.**

## The IFC BC's 2008 Submission to the Minister of Finance

by Bruce Flexman, President

The IFC BC recently submitted its list of recommendations to improve the International Financial Activity (IFA) program and enhance British Columbia's positive business environment.

### 1 Expand the Specialist Designation to All Qualifying Activities

The IFA Specialist program can serve both as a means of bringing new talent and professionals to the province as well as a powerful tool for marketing British Columbia as a location for investment. The legislation, however, limits the use of the Specialist category to some, but not all qualifying activities. The activities excluded are: 1) management services; 2) patent activity; 3) administrative support; and 4) back-up office services.

The IFC BC recommends that all activities qualify for IFA Specialist registration. This will make British Columbia's IFA program more competitive with its counterpart in Montreal in its treatment of employees in the IFA program. In addition, the business community benefits with the addition of individuals with a high level of expertise. In fact, the implications to executives being asked to transfer to an IFC in British Columbia may have a greater impact than the actual dollars involved. Many location decisions are driven by the personal preference of the executive(s) involved. Therefore the personal tax implications for a senior executive may be more critical to the location decision than the corporate tax implications.

### 2 Expand the IFA Program to Include Schedule III Banks

Schedule III banks are branches of foreign institutions authorized under the Bank Act to do banking business in Canada. As Schedule III banks are not incorporated in Canada, these institutions are not eligible for registration in the IFA program. Not affording these banks the benefits available under the IFAA opposes the goal of striving for equity and places these banks at a disadvantage to their counterparts.

### The IFC BC recommends that Schedule III banks be allowed to register in the IFA program.

Foreign banks looking to expand into British Columbia should not be excluded from the IFA program benefits because they adopt a business structure that makes good business sense i.e. using a branch operation which gives them access to the financial resources of the global Bank.

### 3 Revise the Management Services Regulation

The 2008 Budget indicated that management and control functions would qualify under the IFAA. The IFC BC and the business community took this to mean that human resource and strategic planning services would be included, but the legislation would not necessarily be limited to these functions.

The IFC BC believes that the Regulation, dated 26 June 2008, has significantly narrowed the Budget 2008 announcement as it contains a number of restrictions that were not part of the Budget announcement. One such restriction requires prescribed management services be provided by the "head office of the corporation." While there was much discussion concerning the type of management services that would be prescribed, there was never any suggestion that the company would have to have its head office in British Columbia. Also, it is not clear what management services will be considered to be "strategic" and "non-strategic." The question for registrants will be what management services are to be excluded when business would not normally attempt to distinguish between strategic and non-strategic management services. Some corporations will merely claim that all management services are strategic but then face the uncertainty associated with their claim. They will also incur time and money in dealing with the auditors in attempting to interpret the term "strategic" and then apply it to operations which do not lend themselves easily to such distinctions.

Continued, Page 2, IFC BC 2008 Submission

## Vancouver Rises on the GFCI 4 Ranking

Vancouver climbed to 30th place in the latest Global Financial Centres Index 4 (GFCI 4), published in September 2008. This is three places higher than its March 2008 ranking of 33rd.

The GFCI is published twice a year by the City of London. The report ranks each major financial centre in terms of its competitiveness by combining instrumental factors (such as external indices) with financial centre assessments drawn from online survey responses. The instrumental factors used in the GFCI model are grouped in five key areas of competitiveness (People, Business Environment, Market Access, Infrastructure and General

Competitiveness).

Taxation rates used in the study are Canada-wide (OECD data) and as this is one of the contributing factors in evaluating Business Environment, it seems as if the benefits of Vancouver are somewhat misrepresented. Nevertheless, the report notes that quality of life is growing in importance. "Centres that score well in quality of life measures seem to be doing well in GFCI 4. Geneva, Sydney, Toronto, the Cayman Islands and Vancouver are all amongst centres that are viewed as being good places to live."



## IFB BC 2008 Submission, continued from Page 1

A requirement that the prescribed management services be provided by a 'head office' or a 'regional head office' would capture the internationally-based companies that the IFA program is geared towards. The Regulation prescribing management services should be broadened to management and control services including strategic planning services and human resource services.

### 4 Expand Qualifying Patents by Broadening 'Green-Related' Activity

The 2008 Budget expanded eligible patents to include patents related to power generation using forces of nature such as wind, solar and tidal. **The IFC BC recommends that companies developing other forms of environmental technologies be qualified as well: water and wastewater services, alternative energy systems, including fuel cells, clean fuel technology and biomass/co-generation systems, waste management, sustainable resource management, specifically related to forestry and mining reclamation, instrumentation technologies.** This will help bring new environmental technology business to British Columbia and create a critical mass in this growing field.

### 5 Change the 90-Day Amalgamation Notice Requirement

The IFAA requires that a registered corporation advise the commissioner of an amalgamation within 90 days. While we agree that a newly amalgamated entity should advise the commissioner, the **IFC BC recommends amalgamations be reported on the IFA Tax Refund form.**

### 6 Allow IFB Income Carryforwards

Under the IFAA, a registered corporation may claim a refund equal to the eligible proportion of its BC tax payable for a taxation year. If a corporation does not have BC tax payable for a year, it is not entitled to a refund. Therefore, a corporation may have income from its International Financial Business (IFB) and losses from other businesses and have no net income subject to BC income tax. The application of this formula will mean that a company, which has losses that offset IFB income in a particular year, will not be able to access the full benefits of the IFA program. **The IFC BC recommends that the IFAA be amended to allow registered companies to carry forward IFB income in years when the income did not result in an IFAA refund.** This will correct the current inequity, where members are penalized when their IFB

## For Members: Interest on Refunds

One member recently advised of a successful appeal of the Province's determination of the date that interest would accrue on the IFA refund.

Interest on an IFA refund starts to accrue 61 days after the date when the claim to the refund is "perfected". The member filed its IFA return and notice of assessment from CRA. Before the audit of the return was completed the member forwarded a notice of reassessment for the particular year.

The issue was whether the Province was required to pay interest from 61 days after the return was filed with the notice of assessment or 61 days after the notice of reassessment was filed. The Province initially took the position that interest started from the later date. However on appeal, the Province determined that the claim had been perfected at the earlier date and interest was to be paid from that earlier date.



is in a profit situation and their overall business alternates between profits and losses.

### 7 Expand the IFA Program to Cover Recourse Factoring

Factoring is the business of buying receivables from another party and then collecting on those the receivables for a profit. As factors are in the business of collecting trade accounts receivable, they can qualify the international receivables collected under the IFAA—as long as they are purchased outright and without recourse. **The IFC BC recommends that the legislation permit recourse as well as non-recourse factoring.**

### 8 Expand the IFA Program Into New Areas

**The IFC BC recommends that the IFA program be expanded to new areas: high value services for export, data processing and manipulation (clinical trials), and new media.**

