



Vancouver ranked the world's 'most livable city' again in 2009

The London-based Economist Intelligence Unit's (EIU) Livability Ranking 2009 describes Vancouver as "almost perfect with only petty crime and the availability of good-quality housing presenting any challenges."

2010 Information for Business

www.2010commercecentre.gov.bc.ca/

The 2010 Commerce Centre website has been created to help inform, educate and connect businesses to the opportunities of the Vancouver 2010 Olympic and Paralympic Winter Games.

Orbis Investment Management Selects Vancouver as a Location for Expansion

The IFC BC welcomes Orbis Client Services (Canada) Ltd. as one of its newest members.

Orbis is an investment firm with offices in Bermuda, London, San Francisco, Vancouver, Seoul and Sydney. The company provides investment management services to institutional and individual clients through the Orbis family of funds. Using its own research, Orbis selects equities that are priced significantly below Orbis' assessment of their intrinsic value, acting on the belief that a focused portfolio of such equities will deliver superior long-term returns and, importantly, less risk of permanent loss than the average equity portfolio. Orbis has grown from US\$67 million under management at the beginning of 1990 to approximately US\$17 billion as at 30 June 2009. Orbis now offers a broad range of equity-based products including a family of equity funds as well as absolute return funds.

Orbis chose Vancouver over other jurisdictions as the best place to open its newest office. With its talented workforce and well-established technology sector, Vancouver has met the needs of Orbis' Global Fund Operations Strategy. The Vancouver office will provide research, trading, administrative support, and IT to the Orbis group worldwide. Vancouver is one of the Orbis group's three major centres of operation. With offices on five continents, Orbis' three major operating centres are strategically placed in different time zones to allow Orbis to offer seamless 24-hour service to its clients.

"The Vancouver office is establishing itself as a key element in Orbis' global structure", said Garth Rempel, Director of Orbis Client Services (Canada) Limited. "It is a key location for our fund operations division, and serves as a major centre for IT systems development."

"Reliability and scalability of international data communications networks are key to the way our business operates, and Vancouver competes favourably on the world stage in these areas," he said. "Vancouver has for some time had a well-established software development industry, and as such has a very capable infrastructure and ready access to global technology companies."

Orbis also considered the fact that British Columbia has emerged as a business-friendly jurisdiction. The Province of British Columbia has taken measures to create one of North America's most competitive investment climates.

"The International Financial Centre British Columbia and many of the local legal and accounting firms went out of their way to make us feel welcome and assist us in the initial set up phase," explained Rempel. "We appreciated all the support and found it quite easy to get things up and running."



For more information about Orbis Investment Management Services, please access the website at www.orbisfunds.com.

The HST Is Coming to British Columbia

In July, the government of British Columbia announced it will harmonize its 7% provincial sales tax (PST) with the 5% federal goods and services tax (GST), and effective July 1, 2010, there will be one tax, called the harmonized sales tax (HST). A brief overview is followed by issues that might be of interest to IFC BC members.

Overview

The HST, like the GST, is a value added tax, which is a tax levied when value is added to a product. The PST, on the other hand, is a retail

sales tax, which means the tax is intended to apply at the retail level. Nevertheless, the PST becomes

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a “cascading tax” because items are taxed more than once as the product or service makes its way to the retail level. The replacement of the PST with the HST should generate reduced costs for most business because of the input tax credit (ITC). By claiming an ITC, a business can recover GST and as of 1 July 2010, HST paid on inputs including expenses and capital used to produce goods and services. The ability to claim ITC’s depends on the nature of the supplies: 1) taxable supplies are subject to HST and related expenses are eligible for ITC’s; 2) zero-rated supplies are subject to a 0% HST rate and related expenses are eligible for ITC’s; 3) exempt supplies are not subject to HST and related expenses are not eligible for ITC’s. Businesses will benefit by being able to recover HST paid on inputs, and consumers benefit as lower costs are passed on. Those that cannot fully claim ITC’s, financial services for example, will bear a higher cost of inputs without being able to claim a corresponding credit. Discussed below are certain issues that may be relevant to members of the IFC BC.

Temporary restrictions on ITC’s

Following the approach taken by Ontario, for businesses with taxable sales over \$10 million, BC will delay allowing ITC’s on certain goods and services. This will apply to energy, except when used to produce goods for sale; telecommunications services, other than internet access and toll-free numbers; road vehicles less than 3,000 kilograms; and meals, beverage and entertainment expenses. Ontario will restrict ITC’s for the first five years and then phase in ITC’s over a three-year period. BC will follow suit by proposing zero ITC’s on these items for the first five years and then a phase-in over the next three years. What this means is that for products where these items represent a significant input cost, lower costs may not be fully realized until 2018.

Treatment of financial services

Similar to what has been proposed in Ontario, financial services will be an exempt supply, which is consistent with the GST treatment, meaning HST will not be charged on services nor will financial institutions be able to claim ITC’s with respect to these services. Financial institutions will pay HST on inputs, for example, on advertising or computer equipment, and will be unable to recover the added cost through ITC’s. This is different than Quebec where financial services are zero-rated for Quebec purposes only. In Quebec’s case, financial institutions do not attract Quebec Sales Tax (QST) but financial institutions can still recover the QST paid on inputs through Quebec ITC’s.

Investment management services, on the other hand, will be taxable services. These services, which include billing to

mutual funds, segregated funds and other managed investment accounts, will collect HST. It is likely that these funds, however, will not be able to fully recover ITC’s on fees. Also, it may be possible that the HST will effectively be paid by all investors in a BC-based fund, regardless of what province the investor resides in. Finally, there are still questions as to how transactions between closely related parties will be treated.

Treatment of imports and exports

Exported goods. Exports will be zero-rated as they are under the GST. This means that while not being required to collect the tax from purchasers, exporters will be able to claim a credit on the eligible inputs, effectively removing HST from exports.

Exported services. A business does not need to charge HST on services performed totally outside Canada. Certain services provided to non-residents performed all or partly in Canada may also be zero-rated. These include: certain advisory, professional, or consulting services; advertising services; advisory, consulting, or research services to help a non-resident person establish a residence or business in Canada; and training services.

Imported goods. It is expected that goods imported into Canada will be subject to HST and calculated on the Canadian dollar value of the goods, including duty and excise tax. HST will be collected at the border. Where imported goods are used for taxable supplies, ITC’s are allowed.

Imported services. A business is not required to collect HST on services or intangible property purchased from a non-resident if the service is used in a business in which substantially all (i.e. 90% or more) of the revenues are taxable or zero-rated. Otherwise, the services are taxable and HST needs to be self-assessed. The importer is required to remit the tax to the federal government but may be able to recover some of the tax as an ITC to the extent that the imported services generate taxable or zero-rated supplies.

Increased administration

The HST will be administered by the federal government, meaning the Province will no longer be required to administer its portion of the tax. Businesses, however, will need to prepare for increased paperwork from filing for ITC’s, updating software, and in many cases, seeking professional assistance on compliance. On the other hand, after the transitional period, businesses that administered the PST should benefit from a reduction in administration.

The shift from the PST to the HST in British Columbia will be a major change in the impact of sales tax, which IFC BC members will have to consider and plan for.

