



### Season's Greetings!

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

Bob Fairweather,  
President IFC BC

### Upcoming Events

The 2007 AGM is scheduled for Wednesday, the 2nd of April 2007 at 12:00 at the Vancouver Club.

The 13th Annual Golf Tournament has been scheduled for Tuesday, the 10th of June 2007

A Retirement Reception for Bob Fairweather has been tentatively scheduled for Wednesday, the 30th of April 2008 at the Four Seasons Hotel in Vancouver.

## IFA Audit Department: Questions and Answers

*by the IFA Audit Team at the Income Taxation Branch*

*The International Financial Activity (IFA) program provides a refund of provincial income tax paid in respect of income earned in conducting international financial business. The Audit Department administers the refund process, verifies reporting accuracy, and reviews and investigates claims.*

*Q. Does the BC Government require an audit of all registrants under the International Financial Activity Act (the Act)?*

A. Neither the government nor the *Act* **requires** an audit; however, the *Act* **provides** for administration and enforcement, or an audit, of the records to determine and verify the validity and accuracy of a refund claim.

*Q. What companies get audited?*

A. As the *Act* is new and as companies and their tax preparers have limited experience with the provisions and interpretations of the *Act*, at the current time all refund applications will be audited. Part of the rationale for this decision is that the audit is not only to prevent an over claim but also to prevent an under claim.

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## A Message to Members of the IFC BC

*by Bob Fairweather*

As many of you already know, I will retire from the International Financial Centre British Columbia in April 2008. Let me say that it has been my great pleasure to serve as your President.

The past six years have been extraordinary for the IFC BC. We changed from an organization striving to get the governing legislation amended in the Provincial Legislature to achieving the goals of making British Columbia a premier location for investment.

When I started in 2002, I said, "This evolution will not be a rapid one, but the required steps are clear, and the potential rewards exceptional. The fulfillment of that promise is a worthy goal, and the challenge of accomplishing it is the reason I took on this job." This has proven to be true. Tremendous progress has been made on the legislative front, both in terms of promoting the IFA legislation as well as in actively supporting further legislative changes that resulted in bringing

intellectual property into the realm of eligible activities. Our success has been steady, and I am pleased to say it was the result of a collective effort of business people in the province. I am proud of the fact that the IFC BC has grown from a membership of 36 in 2002 to its present membership of 57. I am equally proud of the fact that member fees have been reduced by 40% over this period as well.

During my tenure with the IFC BC, I have been deeply impressed by the commitment of the major accounting firms and law offices, members of the Board, and all levels of government in working together to communicate the advantages British Columbia has to offer. I want to express my gratitude especially to the members of the Society for your support and to members of the Board for their advice and guidance over the past years.

It has been a most successful and rewarding time.



## IFC Audit, Continued from Page 1

*Q. How does the audit process work? In general, what steps are involved?*

A. The steps are as follows:

1. The registrant prepares and submits the return.
2. The assigned auditor reviews all submitted documents and prepares a list of any missing documents and any additional information, schedules, or other documents needed to perform the audit.
3. The auditor contacts the registrant to outline any needed items identified during the initial review and to arrange a visit to the registrant's office to gather the needed items. At that time the auditor also reviews other original documents, views and discusses IFA operations, etc. More than one request and visit may be needed.
4. After completion of the audit work the auditor prepares and submits the file

to the audit supervisor for review and approval.

5. In the event the refund is approved for the submitted amount, a Notice of Determination is prepared and a cheque is issued. In the event an adjustment is needed, a letter is sent to the registrant outlining the proposed adjustments and requesting concurrence. Most often the individual adjustments will be discussed during step 3 and there should be few surprises. After discussion with the claimant about the adjustments to the claim, the Notice of Determination and cheque are issued.

*Q. What procedures are in place if a registrant disagrees with the auditor's findings or has other questions or complaints about the audit process?*

A. The Ministry has published the "Taxpayer Fairness and Service Code" that outlines the procedures. The guide is located on the ministry website at [www.sbr.gov.bc.ca/msbr/tfsc/tfsc.htm](http://www.sbr.gov.bc.ca/msbr/tfsc/tfsc.htm). In brief the steps are as follows:

1. Discuss the matter with the auditor. If not satisfied,
2. Request a meeting with the Audit Supervisor, the Audit Manager, or the Director, Audit & Operations. If still not satisfied,
3. Escalate your concerns and questions to higher levels in the ministry.
4. If a Notice of Determination or Re-determination has been issued, a formal appeal can be filed with the Minister, and subsequently the decision of the Minister can be appealed to the Supreme Court of B. C.

*Q. How long does an audit take?*

A. The program is still too new to give an average or target amount of time. The time depends mostly on the

nature, number, and complexity of the registrant's IFA businesses, and the registrant's ability to respond quickly to audit queries.

*Q. Is the process different for the registrants under the former International Financial Business (Tax Refund) Act?*

A. No, the process is the same. As the eligible activities, the return forms, the supporting schedules, and the method of calculating the qualifying income for the two Acts are quite different, all registrants are treated the same.

*Q. What problems do you encounter when conducting an audit?*

A. The two main problems are working papers that are incomplete or unsubstantiated and the speed of the registrant's response to requests for additional documentation or clarification.

The above problems often occur because the registration process was conducted with the IFA business area, while the return is prepared by the tax department. Unfortunately, in this scenario, the tax department had not participated in the initial discussions with ministry staff and are not familiar with the program.

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### Good News for BC

In 2007, a new MasterCard Worldwide index ranked Vancouver as 28th out of the 50 top Worldwide Centers of Commerce. Of the six performance dimensions analyzed, Vancouver ranked first for ease of doing business.

The survey is a comprehensive analysis of cities that drive global commerce, measuring the ability of the top cities to connect markets and commerce globally. It evaluates 111 indicators including promoting global commerce and includes legal and political frameworks, economic stability, ease of doing business, capital accessibility, education and transportation.

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The Income Taxation Branch of the Ministry of Small Business and Revenue has redesigned its web site to make it more user friendly. It contains all aspects of the IFA program, including forms, bulletins, the Act, and contact information. You can reach the site at [www.sbr.gov.bc.ca/business/Income\\_Taxes/International\\_Financial\\_Activity/ifa.htm](http://www.sbr.gov.bc.ca/business/Income_Taxes/International_Financial_Activity/ifa.htm).