
INTERNATIONAL TAX PLANNING

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BRITISH COLUMBIA'S TAX REFUND REGIME: INTERNATIONAL FINANCIAL ACTIVITIES

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Global tax planning includes shifting pre-tax income from a high tax rate jurisdiction to a lower tax rate jurisdiction. In British Columbia, a Canadian corporation can apply for a refund of BC corporate income tax paid on the profit associated with prescribed international financial activities. Registration for the BC regime is simple, no special business corporation licence is required, and there are no onerous restrictions on business conduct, location in the province, or the number of employees. The regime enables corporations carrying on certain types of business activity ("prescribed international financial activities") to shift pre-tax income from a high tax rate jurisdiction (country) outside Canada into British Columbia's moderate tax rate regime.

This article speaks to the more popular uses of British Columbia's international financial activity (IFA) regime by non-financial corporations, based on personal experience and interpretation letters and rulings issued by the provincial ministry that administers the regime. If commercial pressure requires that corporate international financial activities be carried on within Canada, rather than in a foreign country such as Ireland, Switzerland, or Barbados, carrying on those activities in British Columbia could produce a refund of BC corporate income tax paid on the profit associated with the prescribed activities, thereby reducing the corporation's effective income tax and increasing the free flow of cash.

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