

**INVEST BRITISH COLUMBIA** is an investment attraction and facilitation service partnership led by the Province of British Columbia. Harnessing the resources and expertise of provincial, federal and local regulatory agencies, economic development organizations, and private sector professionals, Invest BC staff work to expedite investment projects from concept to completion.

Invest British Columbia also works closely with an extensive network of public and private sector organizations to provide a comprehensive, coordinated and confidential service for companies interested in locating or expanding in British Columbia.

**TO RECEIVE MORE INFORMATION ABOUT INVESTING IN THE PROVINCE OF BRITISH COLUMBIA, CANADA, PLEASE CONTACT:**

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# British Columbia's Tax Environment

## Competitive, Supportive and Targeted



British Columbia (B.C.), Canada, is home to some of the most successful and innovative companies in the world. Their success is not a coincidence. We have created an ideal environment for businesses by offering a competitive tax climate, a culture of innovation and incentives for investment and training.



**A COMPETITIVE TAX CLIMATE** British Columbia's corporate and personal taxes are competitive with jurisdictions throughout North America and the G7.

- B.C. individuals earning up to \$119,000 pay the lowest provincial income tax in Canada. For the majority of taxpayers, provincial personal income taxes have been reduced by at least 37 per cent since 2001.
- British Columbia's general corporate tax rate has been cut by almost 40 per cent since 2001. Effective January 1, 2011, corporate income is taxed at only 10 per cent (Canada's lowest provincial rate). Federal tax cuts that take effect in 2012 mean that British Columbia's businesses will have a combined corporate income tax rate of 25 per cent- the lowest in the G7.
- Eligible Canadian Controlled Private Corporations (CCPCs) do even better. B.C.'s corporate tax rate for the first \$500,000 of their taxable income is only 2.5 per cent. Government has committed to reducing this rate to zero by April 1, 2012.

**CORPORATE INCOME TAX RATES**  
 INCLUDES NON-MANUFACTURING  
 January 1, 2011

BC	26.50
AB	26.50
ON	28.50
QC	28.40
CA	40.75
WA	35.00
OR	40.14
NY	39.62
MA	40.69

**PERSONAL INCOME TAX RATES**  
 TOP MARGINAL RATES  
 January 1, 2011

	INCOME	CAPITAL GAINS
BC	43.70	21.85
AB	39.00	19.50
ON	46.41	23.21
QC	48.22	24.11
CA	44.30	24.30
WA	35.00	15.00
OR	46.00	26.00
NY	43.97	23.97
MA	40.30	20.30

**DATA SOURCES:**  
 • PricewaterhouseCoopers, January 1, 2011

- Only one-half of capital gains (net of capital losses) are taxable. Upon selling a qualified small business, an individual can shelter from tax up to \$750,000 of the cumulative life-time capital gain.
- Non residents are generally exempt from income tax on capital gains arising on the sale of shares of both private and public Canadian companies.

**LOW OPERATING COSTS** Many tax policies lower the costs for business of investing and operating in B.C.:

- Effective July 1, 2010, B.C. replaced its Provincial Sales Tax (PST) with a value-added tax harmonized with the federal Goods and Services Tax. Producers of taxable supplies receive input tax credits to recover the HST they pay on their business purchases. The 12 per cent Harmonized Sales Tax (HST) is saving businesses an estimated \$2 billion annually compared to the former retail sales tax system .
- British Columbia does not have provincial payroll taxes.
- Federal payroll taxes are approximately half the comparable rates in the U.S. (B.C. employers pay only 4.95 per cent of payroll for social security taxes and 2.492 per cent for employment insurance.)
- B.C. is encouraging the development of cleaner and more environmentally friendly motor fuels. Hydrogen used in fuel cell vehicles is exempt from fuel tax.
- Training tax credits are available to employers based on the wages paid to an eligible apprentice to a maximum of \$4,000 per apprentice per year depending on salary, program and apprenticeship level. Eligible apprentice employees receive credits too: from \$1,000 to \$2,500 depending on the apprenticeship level they complete.

## INCENTIVES FOR MANY SECTORS

**International Business** British Columbia's *International Business Activity Act* (I.B.A.A.) offers attractive incentives to corporations and key staff conducting international activities from B.C.:

- Up to 100 per cent refund of provincial corporate income tax paid on income from registered businesses. Eligible activities include treasury functions, factoring, administrative services, film distribution, leasing property and insuring property outside Canada. Planned expansions to the program include: digital media publishing and distribution and clean technology.
- 100 per cent refund of B.C. personal income tax paid by registered specialists recruited from abroad who perform qualifying work for the first 2 years – followed by partial refunds for the following 3 years.
- Up to 75 per cent refund of provincial corporate income tax on foreign earnings from eligible patents related to life sciences, power from wind, solar and tidal sources, wastewater treatment, and fuel cell technology.



**Film Production and Related Services** British Columbia is the third largest film and television production centre in North America, with \$1.3 billion in spending, 20,000 direct workers and 239 projects in 2009. B.C. is a global hub for the video game sector too, with 60 studios. Refundable tax credits support industry competitiveness and growth.

- 33 per cent of eligible B.C. labour expenses are refundable as a tax credit for movie and TV projects filmed in B.C. (Canadian controlled production companies are eligible for 35 per cent credit). A federal tax credit of 16 per cent of eligible expenses is also available (25 per cent for Canadian controlled production companies).
- Additional regional tax credits apply to labour expenses for movie and TV projects filmed outside the Vancouver

area: six per cent in nearby regions and 12 per cent for distant regions. (For Canadian controlled companies, credits are 12.5 per cent in nearby regions and 18.5 per cent for distant regions.)

- B.C. labour expenses for movie or TV digital animation and visual effects qualify for an additional 17.5 per cent tax credit.
- Video game developers receive an Interactive Digital Media tax credit equal to 17.5 per cent of qualifying BC labour costs.



**General Manufacturing** Goods production accounts for 21 per cent of the B.C. gross domestic product and 20 per cent of employment.

- B.C.'s manufacturers are reaping major benefits from our value-added tax (HST) implemented on July 1, 2010. Sales taxes on substantially all manufacturing inputs are recoverable by businesses as input tax credits, which increases their price competitiveness domestically and in foreign markets.
- In March 2010, the number of manufacturing items subject to customs duties was cut by 75 per cent. The remaining 371 items will have their tariffs cut by January 2015 – making all of Canada a duty-free zone.
- Canada allows a 50 per cent per-year straight-line depreciation method for manufacturing or processing equipment. For eligible computer equipment and systems software, businesses are entitled to a full deduction (100 per cent) in the taxation year.

**Research & Development by Knowledge-based Industry** Canada is a world leader in supporting and encouraging research and development through Scientific Research and Experimental Development (SR&ED) tax credits:

- Canadian controlled private corporations qualify for a federal tax credit up to 35 per cent of qualified expenditures for SR&ED carried out in Canada. Other Canadian corporations can receive a 20 per cent tax credit.
- British Columbia provides corporations with a tax credit up to 10 per cent of SR&ED qualified BC expenditures.

**Mining Exploration and Production** Mining in B.C. is a \$6 billion industry based on mineral sales from 10 coal mines, 9 metal mines, over 50 industrial mineral operations and more than 650 aggregate pits and quarries.

- Grassroots exploration receives a 20 per cent provincial and a 15 per cent federal tax credit.
- The provincial tax credit is increased to 30 per cent for exploration in areas affected by the Mountain Pine Beetle infestation.

**Oil and Gas Exploration and Green Energy Production** B.C. has huge natural gas resources that can play an important role in the global transition to cleaner energy sources. Targeted royalty programs encourage deep drilling, summer drilling, and marginal or ultra-marginal (tight gas) production.



- Since September 2009, deep royalty credits have increased by 15 per cent.
- New coal bed methane wells receive tax and royalty incentives.
- New wind power projects are exempt from provincial "participation rents".
- Penstock systems for green energy production (i.e. run-of-river hydro generation) are exempt from school property tax.
- Equipment to produce energy more efficiently or from alternate energy resources (e.g. wind, waves) qualifies for accelerated depreciation allowances for tax purposes.



**INCENTIVES FOR INVESTMENT CAPITAL** Individual taxpayers and corporations receive tax credits for investing in Venture Capital Corporations, Eligible Business Corporations, Employee Venture Capital Corporations and Employee Share Ownership Plans. Small businesses in British Columbia – including those in technology, new media and other emerging sectors – have benefited greatly from these innovative sources of local venture capital.

- 30 per cent of an individual's investment in a Venture Capital Corporation or an Eligible Business Corporation is returned as a refundable tax credit at tax time (maximum \$60,000 per year). Corporations receive non-refundable credits without limit.
- An investor can also choose a labour sponsored fund and receive a provincial refund equal to 15 per cent of their investment (maximum \$2,000 per year) plus a federal credit of 15 per cent (maximum \$750 per year).
- Under B.C.'s Employee Share Ownership Plan, employees can invest in their employer's business and claim a tax credit equal to 20 per cent of their investment (maximum \$2,000 per year).

## RESOURCE WEB LINKS

**International Financial Centre**  
[www.ifcbc.com](http://www.ifcbc.com)

**Scientific Research & Experimental Development (SR&ED)**  
[www.ccra-adrc.gc.ca/sred/](http://www.ccra-adrc.gc.ca/sred/)  
[www.investbc.com/sred02.htm](http://www.investbc.com/sred02.htm)

**B.C. Tax Credits**  
[www.investbc.com/bctaxcredit.htm](http://www.investbc.com/bctaxcredit.htm)

**Oil and Gas Investment Incentives**  
[www.investbc.com/oilgas.htm](http://www.investbc.com/oilgas.htm)

**Mining Exploration Tax Credits for Corporations & Individuals**  
[www.investbc.com/mining01.htm](http://www.investbc.com/mining01.htm)  
[www.investbc.com/mining02.htm](http://www.investbc.com/mining02.htm)

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