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International Financial Activity Program (British Columbia 2006)

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BC Biotech Roundtable
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International Financial Activity Act (B.C.)

- Two Types of Income eligible for up to 75% provincial tax refund by a *registered corporation*:
 - (i) income derived from *selling, assigning, or licensing **certain patents*** to a non-resident;
 - (ii) income from the *sale of goods or services* to a non-resident where the sales revenue is principally *derived from an **eligible patent*** owned by the corporation.
- The non-resident may be at arm's length or non arm's length with the corporation as defined in the *Income Tax Act (Canada)*



Eligibility of Patents

- Determined by Patent Classification
 - In accordance with the International Patent Classification, 8th edition.
 - Expanded in January 2006 to include Life Science related patents.
 - Life Science encompasses all living organisms and their surrounding ecosystems.



Summary of Eligible Patent Classifications

A. Human Necessities	<p>01: Agriculture; Forestry; Animal Husbandry; Hunting; Trapping; Fishing</p> <p>61: Medical Or Veterinary Science; Hygiene</p>
C. Chemistry; Metallurgy	<p>02: Treatment of Water, Waste Water, Sewage, or Sludge</p> <p>07: Organic Chemistry</p> <p>08: Organic Macromolecular Compounds; Their Preparation or Chemical Working-Up; Compositions Based Thereon</p> <p>12: Biochemistry; Beer; Spirits; Wine; Vinegar; Microbiology; Enzymology; Mutation Or Genetic Engineering</p>
G. Physics	01: Measuring; Testing



Eligible Patents

- Areas include:
 - therapeutic activity of chemical compounds or medicinal preparations;
 - investigating or analyzing medicinal preparations;
 - diagnostics;
 - biological treatment of water, waste water, or sewage;
 - fermentation processes;
 - organic chemistry - peptide synthesis, including for medicinal purposes



Biotechnology in British Columbia

- Almost 20% of all Canadian biotechnology/life science firms make their home in BC
- BC is Canada's fastest-growing biotech region, registering a 108% growth rate from 1997 to 2001 (*Invest in Canada; 2005*)



Registering an International Financial Business (International Financial Act (B.C.))

Form Fin 574: Application for Registration of a Corporation

Supporting Documents:

- Incorporating documents
- Business plan
- Copy of most recent financial statements, corporate income tax returns and interim financial statements
- List of proposed international financial activities



Fees pursuant to the IFA Act

- \$5,000 to the Ministry of Finance (B.C.)
- Annual fee of \$1,000 to become a Member of the International Finance Centre BC and 0.75% of net income on the International Financial Centre activity.



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International Financial Activity Act

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