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## The International Business Activity Program and a “Made in B.C.” Content Industry.

by Elyot Waller, General Counsel, Nerd Corps Entertainment

Canada is next door to the world’s biggest exporter of cultural works. Our balance of trade with the United States in the media and cultural sectors is far in the red, with Canada importing much more than it exports. Historically, in an effort to prevent our airwaves from being saturated with non-Canadian content, our federal and provincial governments have provided various incentives to support the production of Canadian content. This continues to be a good rationale for the provision of support to the film and television production industry, and the media production industries more broadly. However, as content consumption becomes increasingly fragmented across multiple platforms we can no longer effectively promote Canadian culture solely by staking claims to limited portions of the Canadian broadcast spectrum. This is highlighted by the increasing prominence of on demand IPTV distribution channels such as Netflix, Hulu and iTunes. As a result, we need an innovative strategy to correct the balance of trade deficit on culture—one that supports Canadian content that can be successfully distributed internationally. The global market is huge and tapping into it allows producers to finance higher-quality content. This leads to better opportunities for brand expansion and ultimately goes a long way towards addressing our trade deficit on cultural works. In addition to supporting Canadian content for the Canadian market, policy approaches also need to incent export of that content.

B.C. currently provides significant labour tax credits to encourage the production of film, television and related media in the province. However, labour credits are only one policy tool to support this sector. If B.C. is to truly reap the benefits of a strong I.P.-focused creative sector, our province must pursue a multipronged long-term approach that addresses private investment, distribution and development and ensures that public investment yields permanent gains.

If there is not a compelling reason for content ownership to stay here once it has been produced, the long-term benefit to the economy of public

expenditures to support film and television production can be lost. The International Business Activity program (promoted by AdvantageBC) provides tax incentives for international film and TV distribution. As a result, the long-term benefit remains with the province because there is a compelling reason for businesses not to move the intellectual property in their film and television productions off-shore.

Nerd Corps Entertainment, a B.C.-based I.P. creator and animation studio, is a great example of the benefits that such policies can bring. In 2004 Nerd Corps’ CEO and creative lead Asaph Fipke developed an outstanding series concept of his own called Storm Hawks. Nerd Corps’ three principals (Asaph Fipke, Chuck Johnson and Ken Faier) were able to secure a 52-episode order from Cartoon Network and produce Nerd Corps’ first original series which aired around the globe and led to substantial revenue from related toy and merchandising and licensing activities. This success was as a result of the broad international distribution of Storm Hawks and allowed Nerd Corps to register in the International Business Activity program and join AdvantageBC. Since then, Nerd Corps has made top-quality kids animated content for the global marketplace and worked as a service producer for the top names in the industry (Nickelodeon, Disney, Dreamworks and Mattel, among others). Nerd Corps is a “Made in B.C.” success story for a host of reasons, including an outstanding team, top notch talent, solid planning for growth, and indeed some amount of luck. However, the role of the International Business Activity program in this success has also been significant.

The program has allowed Nerd Corps to profitably distribute “made in BC” content internationally. It applies to a large number of international trade activities, but in terms of film and television it allows the company to claim back B.C. tax on international distribution activities. For B.C. producers it means the company can tax-effectively keep content, and related licensing revenues, flowing into B.C.

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## AdvantageBC Hosts a Technical Seminar on the IBA Program

Earlier this year, AdvantageBC held a technical seminar focusing on matters relating to the audit process with respect to the International Business Activity (IBA) program.

Bruce Flexman, President, kicked off the session with a brief update on the program, and the current status of outstanding changes to the IBA program. Nyomi Beatty (Audit Manager) and Martin Larratt (Audit Supervisor) of the Ministry of Finance gave a short presentation on the IBA Audit Process, highlighting common information requests, sensitive information requests, the powers of the auditors and the involvement of CRA auditors.

The session ended with a lively panel discussion with representatives from the major accounting firms: Marco Cavasin, PwC, Brian Emmott, Ernst & Young, Tony Martin, KPMG and Grant Russell, Deloitte. The panelists added detail to the audit process as discussed by the Ministry of Finance, and then proceeded to field questions from members relating to Transfer Pricing, Technical Interpretations and Rulings, IBA income allocation and Registration of an IB Specialist.

A copy of the complete presentation is available online at: [http://www.advantagebc.ca/ABC\\_publications.htm](http://www.advantagebc.ca/ABC_publications.htm).



*Pictured left to right: Marco Cavasin, Tony Martin, Bruce Flexman, Grant Russell, Brian Emmott, Jimmy Mitchell*

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## AdvantageBC's 18th Annual Golf Tournament



*Pictured left to right: Lance Langton, Bruce Flexman, Bill Larkin, Mathieu Champagne*

On May 9th, AdvantageBC hosted its 18th Annual Golf Tournament at the UBC Golf Course. The weather was fantastic and it was a wonderful gathering of members and friends for some golf and a day in the sun.

Some members of the winning foursome are pictured to the right along with Bruce Flexman. Congratulations also go out to winners of our other contests throughout the tournament:

**Closest to the Pin (Women):** Anne Meyer

**Closest to the Pin (Men):** Stephen Williams

**Longest Drive:** David Smith

**Putting Contest:** Arnold Singh

Again, many thanks to the sponsors and everyone who donated prizes to help make this tournament such a success!

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## "Made in B.C." Content Industry, *continued from Page 1*

Historically, many producers would locate distribution wings in Ireland or similar low tax jurisdictions to take advantage of lower corporate income tax rates.

With the International Business Activity program the difference between Irish and Canadian tax rates in BC is not enough to justify moving distribution operations out of the country. No other province offers such an incentive for film and TV distribution.

Unfortunately the Advantage B.C. program is only now being taken up by a limited number of B.C. distributors, and the reason for this is unclear. As a result, its benefit in terms of fostering a strong B.C. based content industry has yet to be fully realized. Any efforts to get B.C. based film and television distributors to take up the program should be encouraged as part of a comprehensive approach to developing a "Made in B.C." content industry.

