

British Columbia
Canada

A New Era
for Business, Investment and Opportunity.





British Columbia, Canada: A Competitive Investment Choice



Since my government took office in June 2001, we have been working to make British Columbia one of the most competitive business and investment locations in the world. On our first full day in office, we dramatically improved British Columbia's ability to attract and retain skilled workers by cutting personal income taxes by 25 percent. As a result, British Columbians now pay the lowest base rate of provincial personal income tax and the second-lowest top marginal tax rate in Canada.

We followed that with a significant tax cut package for business to help encourage innovation and revitalize our economy. We also launched a comprehensive program to reduce the red tape and regulatory burden on British Columbia business by one third over the next three years. To provide added economic stability, we are restoring sound fiscal management in British Columbia with the introduction of balanced budget legislation and measures to bring real openness and accountability to our budget process.

While British Columbia's knowledge-based industries continue to bring added diversity to our economy, we are also acting to reinvigorate the province's valuable resource sectors. We have introduced a comprehensive series of forest policy reforms to position the forestry sector for future growth, and we have committed to boost private-sector investment in British Columbia's booming oil and gas industry. As part of our business tax cut package, we introduced a new 20 percent flow-through share tax credit that will stimulate mining investment and exploration.

A strategic location on the Pacific Rim, a highly skilled workforce, a cost-competitive business climate and a government committed to building business success — all these factors make British Columbia your best investment choice. We are embarking on a whole new era in British Columbia and I invite you to come and share in our success.

Honourable Gordon Campbell
Premier

BRITISH COLUMBIA : A NEW ERA FOR BUSINESS, INVESTMENT AND OPPORTUNITY

On July 30, 2001, the new government announced aggressive tax cuts for business that make British Columbia a more competitive investment location than ever before. With additional tax cuts announced in the 2002 budget, the provincial government has introduced a total of 17 new tax relief measures, including:

- **CORPORATION CAPITAL TAX:** cut in half to 0.15 percent. This tax will be eliminated entirely on September 1, 2002 (except on financial institutions), saving businesses \$345 million annually.
- **GENERAL CORPORATE INCOME TAX RATE:** cut three full percentage points to 13.5 percent effective January 1, 2002, with a commitment to keep the rate competitive in the years ahead.
- **SMALL BUSINESS INCOME TAX:** increased the threshold for the small business income tax rate from \$200,000 to \$300,000.
- **PROVINCIAL SALES TAX:** eliminated the provincial sales tax on production machinery purchased by eligible manufacturers and by businesses in the logging, mining and energy sectors.
- **DOMESTIC JET FUEL TAX RATE:** reduced the tax rate on all aviation fuel to \$0.02/litre to improve British Columbia's competitiveness as an international air transport hub.
- **BUNKER FUEL TAX:** eliminated this seven percent tax on fuel for large ships to make British Columbia's busy ports more competitive for both cargo and cruise ship traffic.
- **MINING TAX CREDIT:** a new 20 percent flow-through share tax credit to encourage further exploration of British Columbia's rich mineral resources.

CORPORATE INCOME TAX RATES (APRIL 1, 2002)

| TAX | BRITISH COLUMBIA | WASH. | OREGON | CALIFORNIA |
|---|------------------|-----------|-----------|------------|
| Corporation Income Tax (% of Taxable Income) | | | | |
| Federal | 22.12-26.12 (a) | 34.0-35.0 | 34.0-35.0 | 34.0-35.0 |
| Provincial/State | 13.5 | Nil | 6.6 | 8.84 |

(a) Lower rate applies to manufacturing/processing (M&P). The higher general rate will be reduced.
Note: Nominal tax rates alone are not a reliable guide to effective tax burdens.



CORPORATE TAX RATES (APRIL 1, 2002)

| TAX** | BRITISH COLUMBIA | ALBERTA | ONTARIO |
|--|---|---------|----------|
| Corporation Income Tax (% of Taxable Income) | 13.5 | 13.0 | 12.5 (a) |
| Corporation Capital Tax (% of Paid Up Capital) | 0.15 (eliminated effective Sept. 1, 2002*) | Nil | 0.3 |

(a) Lower rate applies to manufacturing.

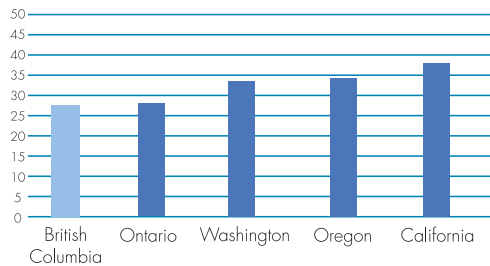
* Except on financial institutions

** Federal corporation income tax, social insurance and unemployment insurance rates apply in all provinces

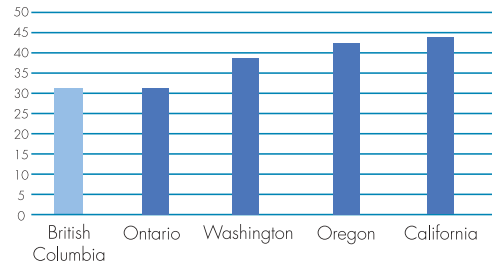
CORPORATE TAX BURDENS 2002

Total taxes/operating cash flow before all taxes %

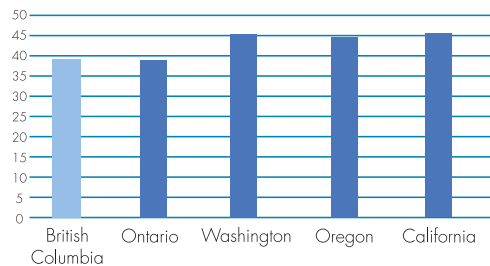
Electronics Manufacturing



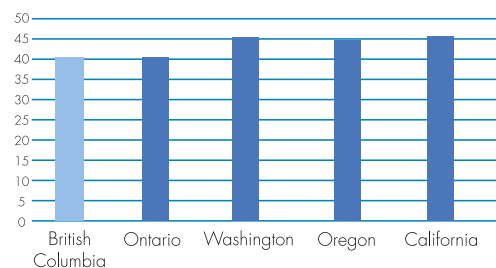
Software Development



New Media (web content)



Engineering Services



Source: British Columbia Ministry of Competition, Science and Enterprise.



BRITISH COLUMBIA : REVITALIZING THE ECONOMY

In addition to tax cuts for business, the British Columbia government is taking decisive action to revitalize the economy and foster increased business development and success around the province, including:

- **CUTTING PERSONAL INCOME TAX**

On its first full day in office, the government introduced a 25 percent cut to personal income taxes, making it easier for British Columbia businesses to attract and retain the skilled workers needed in today's competitive global economy. British Columbians now pay the lowest base rate of provincial personal income tax and the second-lowest top marginal tax rate in Canada.

- **CUTTING RED TAPE**

Within three years, the red tape and regulatory burden for business in British Columbia will be reduced by one third, allowing innovative companies to chart their own path to success more effectively.

- **CHANGING LABOUR LEGISLATION**

Important revisions to British Columbia's labour legislation improve flexibility for today's businesses and their employees.

BRITISH COLUMBIA : RESTORING SOUND FISCAL MANAGEMENT

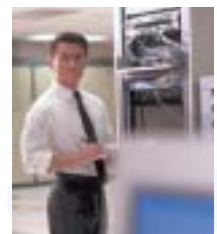
The new British Columbia government recognizes that sound fiscal management is integral to providing a stable economy and positive investment climate. To keep British Columbia in a solid fiscal position, the government introduced new legislation to balance the budget in their first term and bring more accountability and openness to the province's finances. The government also initiated a comprehensive review of all core government services to make sure the people and businesses of British Columbia are served as efficiently and effectively as possible.

"This is a new government, with a new approach, a new philosophy and a new commitment to fiscal management.

We know we have what it takes to be second to none."

— Honourable Gordon Campbell, Premier

As Canada's third-largest province, British Columbia has one of the highest credit ratings and one of the lowest ratios of tax-supported debt to gross domestic product of all ten provinces. The government is committed to working to make British Columbia's fiscal standing even stronger, making the province a truly unbeatable location to invest and the place where smart business does business.





“Our goal is to make British Columbia the home of Canada’s fastest-growing technology community and one of the world’s top 10 technology centres.”

— Honourable Gordon Campbell, Premier

BRITISH COLUMBIA : A TECHNOLOGY LEADER

In a changing global economy, British Columbia is proving itself as the ideal location for innovative and growing high-tech companies in sectors ranging from information technology and telecommunications to biotechnology and fuel cell development. British Columbia is becoming the location of choice for today's, and tomorrow's, technology leaders. British Columbia offers technology innovators and investors:

- A highly educated and skilled population;
- World-class post-secondary education institutions;
- Competitive corporate and personal taxes;
- Canada's most "wired" province;
- A strategic location close to high-tech centres in the U.S. and Asia; and
- An unparalleled quality of life.

Under the direction of the Premier's Technology Council, the government is working with British Columbia's high-tech industries and business leaders to keep British Columbia at the leading edge of the global technology race.

To build on these strengths, the new British Columbia government has committed to:

- Double the number of annual graduates in computer science and electrical and computer engineering within five years.
- Increase investment in technology research and post-secondary skills training.
- Extend high-speed, broadband Internet access to every community in British Columbia.
- Make British Columbia a world leader in e-government.

BRITISH COLUMBIA : THE ELEMENTS OF SUCCESS

• EFFICIENT GLOBAL ACCESS

As Canada's only province on the Pacific Rim, British Columbia is strategically located as a gateway between markets in Asia, the United States and Europe. British Columbia companies benefit from well-established economic and cultural ties with the world's most important markets.

• COMPETITIVE BUSINESS COSTS

British Columbia is one of most cost-competitive locations for business. Tax rates are now more competitive than ever, business costs compare favourably with competing jurisdictions, and the province offers an abundant and reliable energy supply at some of the lowest costs in North America.



"British Columbia has the location, infrastructure and qualified people to meet today's business needs and the competitiveness to lead in today's fast-changing marketplace."

— Honourable Gordon Campbell, Premier

• QUALIFIED WORKFORCE

Supported by a first-rate education system, British Columbia offers a well-educated and highly skilled workforce. Recent tax cuts and an unbeatable quality of life continue to make the province an attractive location for skilled workers, particularly in the highly competitive technology sectors.

• WORLD CLASS INFRASTRUCTURE

British Columbia is well connected to the world. A well-developed transportation and communications infrastructure ensures the easy movement of goods and information throughout British Columbia and into the United States and the broader global marketplace.



• **DYNAMIC AND DIVERSE ECONOMY**

British Columbia's economic strength is based in the established success of its world-class resource sectors. But the dramatic growth of British Columbia's knowledge-based industries is bringing a new diversity and energy to the investment and business opportunities available in the province.

• **UNBEATABLE QUALITY OF LIFE**

The combination of Canada's most temperate climate, an unparalleled natural environment and cosmopolitan urban centres make British Columbia one of the world's most desirable places to live

and work. In a competitive global economy, British Columbia's quality of life makes it an attractive location for innovative companies and skilled workers.

• **BUSINESS FRIENDLY GOVERNMENT**

Gordon Campbell's new government is committed to building a strong and dynamic private-sector business climate in British Columbia. Tax cuts and regulatory reform are already raising business confidence, along with a government committed to helping companies expand the limits of their own innovation, opportunity and success.

SHIPPING TIMES TO ASIAN PORTS (DAYS)

| | YOKOHAMA (Japan) | HONG KONG | KAOSIUNG (Taiwan) | XINGANG (China) |
|-------------|-----------------------------|----------------------|------------------------------|----------------------------|
| Vancouver | 11 | 15 | 17 | 17 |
| Los Angeles | 13 | 18 | 20 | 20 |

Source: Ministry of Competition, Science and Enterprise survey

HOURS AIR TRAVEL FROM VANCOUVER

| | | | | | |
|---------------|---|-----------|----|-----------|------|
| San Francisco | 2 | London | 9 | Tokyo | 9 |
| Los Angeles | 3 | Frankfurt | 10 | Seoul | 10 |
| Mexico City | 5 | Paris | 10 | Beijing | 10.5 |
| New York | 7 | Rome | 11 | Hong Kong | 13 |

Source: Ministry of Competition, Science and Enterprise survey

A New Era

For Business, Investment and Opportunity

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