

**Ministry of Finance**  
**BRIEFING DOCUMENT**

<b>To:</b> Honourable John Horgan, Premier and Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources	<b>Date Requested:</b> March 16, 2019  <b>Date Required:</b> March 20, 2019
<b>Initiated by:</b> Lori Wanamaker Deputy Minister	<b>Date Prepared:</b> March 20, 2019
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**TITLE:** BC as a location for LNG Canada Joint Venture entity head offices

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**PURPOSE:**

**(X) FOR INFORMATION**

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**COMMENTS:** This information note is prepared jointly between the Ministry of Finance and the Ministry of Energy, Mines and Petroleum Resources

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Executive Director approval: \_\_\_\_\_

ADM approval: \_\_\_\_\_

**DATE PREPARED:** March 20, 2019

**TITLE:** BC as a location for LNG Canada Joint Venture entity head offices

**ISSUE:** Premier's meeting with Petronas and Shell Canada executives to ask if they would consider BC as the location for their Canadian head offices.

**BACKGROUND:**

Further to the Province LNG Investment Fiscal Framework, the government is implementing four competitiveness measures announced in March 2018 by June 30, 2019 (with an extension possible by mutual agreement).

Two of the four measures (a provincial sales tax exemption for construction of the project and changes to electricity rates) were implemented on October 2, 2018. The remaining measures (the repeal of the LNG income tax while retaining the natural gas income tax credit and the CleanBC Industrial Incentive) are in the process of being implemented.

In exchange for implementing those measures (and as a condition for maintaining those measures over the first 20 years of the project's commercial operations), LNG Canada has also entered into an Operating Performance Payments Agreement with the Province, where LNG Canada will make a series of performance-based payments totaling \$596 million over the same 20 years – effectively returning the benefit of the PST exemption it received during construction.

The Government's objective with its LNG Investment Fiscal Framework is to encourage companies to develop BC natural gas and to ideally pay BC corporate income tax. To the extent that LNG Canada's Joint Venture entities may want to independently participate in the further development of BC's natural gas industry, there may be a good business case that certain of those entities could locate their Canadian head office in BC.

Head offices are generally desirable to jurisdictions because they provide:

- Highly paid jobs that are environmentally friendly;
- Opportunities for ancillary businesses that provide head offices with supporting legal, management, accounting and other consulting services;
- Access to corporate leaders and key decision makers;
- Settings for developing managers, entrepreneurs and future business leaders;
- Enhanced name recognition for hosting jurisdictions;
- Destination landmarks that attract related business leaders domestically and internationally; and,
- A potential symbol of a positive investment and business climate of the hosting jurisdiction.

Research into other jurisdictions that have been successful in attracting and retaining head offices shows that there are a number of factors businesses consider in deciding where to locate their head offices. These include the availability of<sup>s.13</sup>

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### **BC – Alberta Comparison of Taxes**

For individual wage earners, BC taxes, including income, sales and property taxes, are generally lower or about equal to taxes in Alberta. BC personal income taxes for individuals earning up to about \$125,000 (where many employee salaries might fall) are lower in BC than in Alberta. However, the top marginal personal income tax rate (for potential executives) in Alberta is 48 per cent, compared to 49.8 per cent in BC.

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BC's general corporate income tax rate is 12 per cent, the same as in Alberta. However, with the proposed BC natural gas corporate income tax credit, owners of natural gas as it enters a major LNG facility will be able to reduce their effective provincial corporate income tax rate to as low as 9 per cent,<sup>s.13</sup>

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**RECOMMENDED MESSAGING:**

- With its new LNG Investment Fiscal Framework, BC has demonstrated it is open for business and can work with industry in a balanced way.
- LNG Canada's Joint Venture entities each have an opportunity to utilize the natural gas tax credit to further develop natural gas in BC and lower their own corporate income taxes.
- BC's positive features for a head office include:
  - A Gateway to the Asia/Pacific export market and its trade representatives;
  - Specialized business services including legal, advertising, information technology, finance and consulting services;
  - A skilled labour workforce and high-quality education and health-care systems;
  - Provincial priorities to daycare services and affordable housing;
  - A very moderate weather climate;
  - Vibrant cultural and natural amenities, including world-class beaches and mountains;
  - A clean-focused energy environment;
  - A world-class CleanBC trademark; and,
  - Proximity to LNG Canada's flagship investment in Canada.
- In addition to BC's positive features, Metro Vancouver offers executives a world-class quality of life with its:
  - The best international airport (at Vancouver) in North America for nine consecutive years, according to the Skytrax World Airport Awards;
  - Quality K-12 education and world-class universities and post-secondary training systems;
  - Short travel to recreation areas such as Whistler; and,
  - Modernized transportation systems.

**Attachment 1**

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