



Government Funding

Tax Incentives

Dec 19, 2017

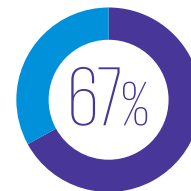
Bridging the innovation gap

Canada's tax incentive programs can offset some of the risk of innovation. KPMG's Canadian Manufacturer's Outlook identified that most companies would do well to get that help, apply for those incentives, and take advantage of the funding that is available to increase their R&D spending.

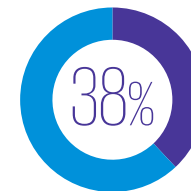
Revenue spend on R&D/Innovation*

	Canada		Global	
	Last two years	Next two years	Last two years	Next two years
0 – 1%	22	14	14	1
2 – 3%	29	31	21	19
4 – 5%	7	7	28	28
6 – 10%	23	27	17	28
>10%	12	12	17	21
Don't know	7	8	4	4

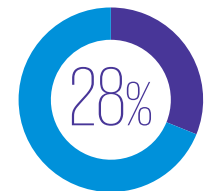
Tax incentive programs



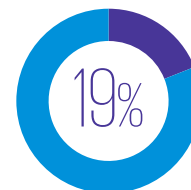
SR&ED



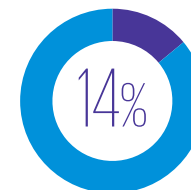
Apprenticeship credits



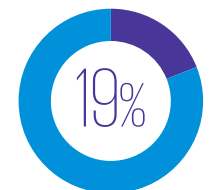
Co-op credits



IRAP



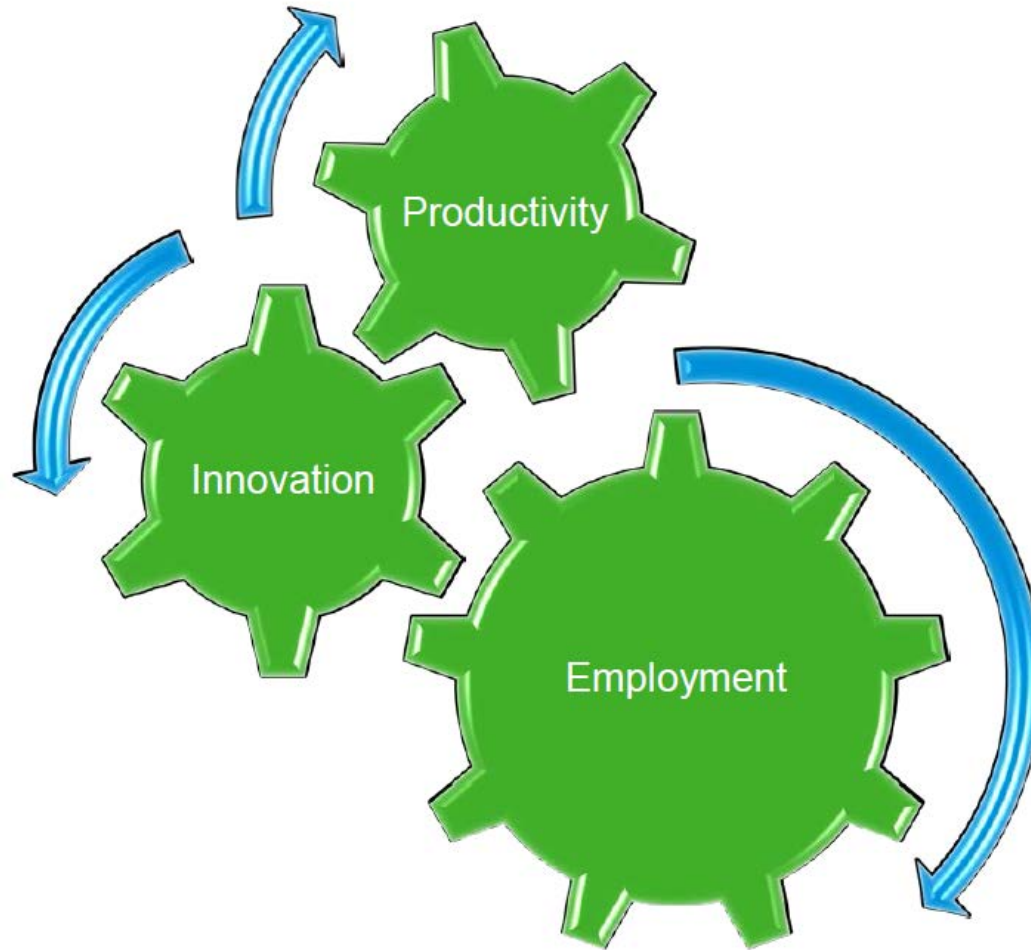
NSERC



Other

*May not total 100% due to rounding

Government priorities



Direct vs. indirect funding

Two categories of government programs for private businesses:

Direct	Indirect
Forward looking	Retrospective
Picking Winners*	Access to all
Grants; Loans; Contributions	Tax credits; preferred tax rates; accelerated depreciation
Application based	Typically through corporate returns
Request for spending	Money has been spent

* Each has its own eligibility criteria to limit potential applicants; targeted funding

Recent - Canadian incentive programs (Federal)



SR&ED payout is \$3 - 4 billion to approximately 20,000 claimants (half in Ontario) but...

2012 and 2013 budgets “more direct support” = approx. \$1.3B redirected from SR&ED program mainly to direct support programs, over the next 5 years

\$1.1B for direct R&D support for various new or existing programs such as:

- \$110M increase to IRAP in each of the next 5 years
- \$67M National Research Council
- \$500M for venture capital initiatives

\$1.26B for the Strategic Innovation Fund

\$155M for the Clean Growth Program

\$950M for the Innovation Superclusters Initiative

\$100M for Innovative Solutions Canada

Significant funding through OERD

SR&ED program

Significant savings on \$\$\$ already spent

- Federal credit is 15% (after 2013) plus provincial credits

	Federal + Provincial + Proxy		
	Provincial Credits	ROI for \$100 of Labour	
		Non-CCPC	CCPC
Ontario	3.5 - 11.5%	28%	66%
BC and Alberta *	10%	36%	64%
Saskatchewan **	10%**	36%	64%
Manitoba	20%	50%	74%
Quebec ***	14 - 30%	35%	74%
NB, NS, Nfld, Yukon	15%	43%	69%
PEI	0%	0%	0%

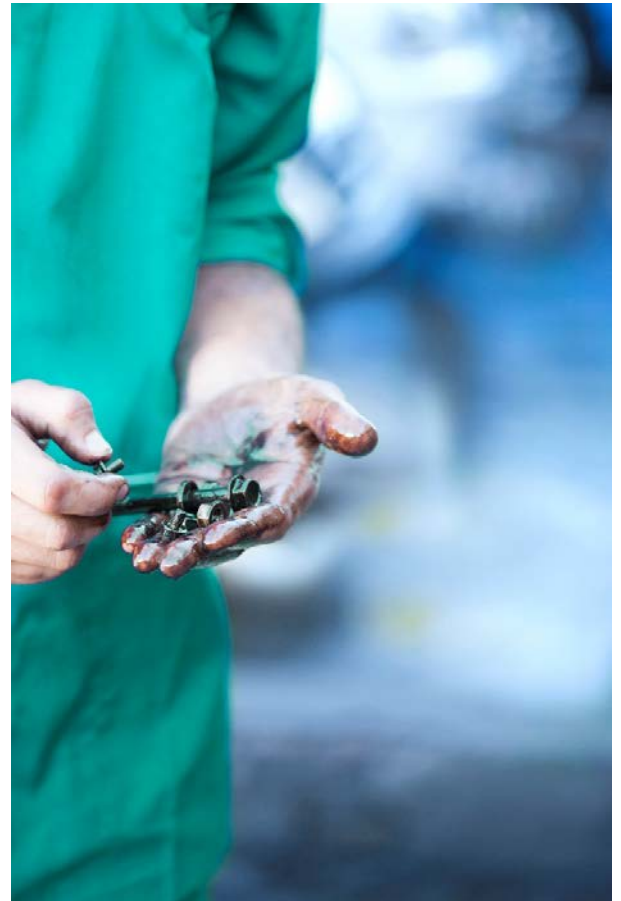
* Alberta maxed out at \$400K credit

** Saskatchewan was 15%, but reduced to 10% effective April 2015

*** Quebec changes effective June 2014

Things to consider (SR&ED)...

- Consider coordinating SR&ED as part of an entire tax plan
- Educate stakeholders on SR&ED opportunities
- Create project scope and maintain documentation
- File early: < 6 months, along with corporate tax return
- Documentation (project charters, objectives, issues, etc)
- Be prepared for CRA's recent audit activity, including Pre-approval, on-line assessment, first time claimant.



Strategic Innovation Fund



Part of the Innovation and Skills Plan

Total budget of \$1.26 billion, over five years, primarily repayable

Open to all industries (Previously SADI, TDP).

Support for projects that:

- Stream 1: Encourage research and development to accelerate technology transfer and commercialization of innovative products, processes and services
- Stream 2: Help firms grow and expand in Canada
- Stream 3: Attract and retain large scale investments to Canada
- Stream 4: Support public-private collaboration in developing and demonstrating new technologies

Strategic Innovation Fund



Who can apply?

- Streams 1, 2 and 3, companies must be a for-profit corporation that is incorporated in Canada, and that proposes to carry on business in Canada.
- Stream 4 include a network or a consortium. The consortium has members that may include Canadian universities, research institutes, for-profit corporations and not-for-profit entities, among others. For a consortium, there must be a lead applicant that will be responsible to submit a project application and manage the project. The lead applicant must also be incorporated in Canada, carry on business in Canada and propose to conduct industrial research and technology demonstration activities.

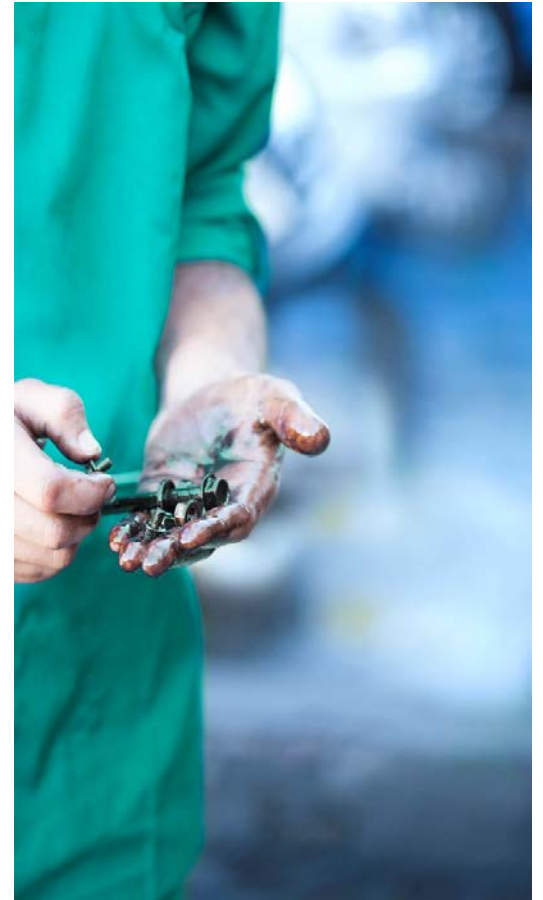
OERD - Office of Energy Research and Development

Budget 2017 Programs

- Green Infrastructure Program (GI)
- Impact Canada Fund (ICF)
- **Clean Growth Program (CGP)**

Core Programs

- Energy Innovation Program (EIP)
- Program for Energy R&D (PERD)

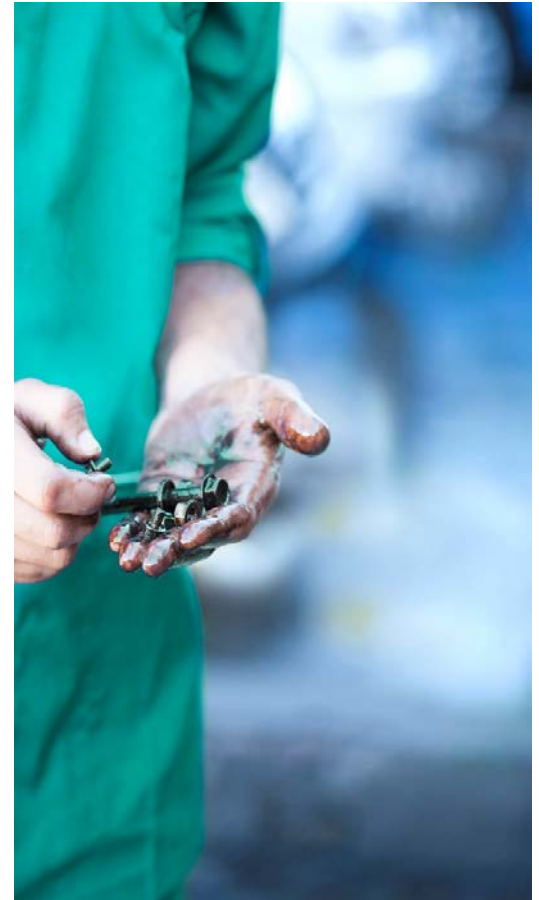


Clean Growth program

Repayable and non-repayable contributions

A project is eligible if it advances a pre-commercial clean technology, between technology readiness levels 3 to 9, in Canada's Energy, Mining, or Forest sectors. All projects will be required to secure provincial and/or territorial support (financially and/or in-kind) by the full project proposal phase in order to be eligible for funding under this program.

Starting November 30, the application process requires a letter of Interest (LOI) to be submitted by January 24, 2018. LOIs will require project details, timelines, budget, partners (if applicable) and a detailed project summary on the environmental impact, alignment with scope, etc.



Innovation Superclusters - Shortlist

ISED / \$950M / industry-led / foster innovation ecosystem / shortlisted proposals submitted Nov 24 / 5 will be successful / non-repayable / applicants to match 1 to 1

1. QUEBEC: (Optel Group) AI-powered Supply Chains Supercluster
2. ONTARIO: (Communtech Corporation, MaRS) Building and Advanced Manufacturing Supercluster for Canada
3. BC: (TELUS) Canada's Digital Technology Supercluster
4. ONTARIO, QUEBEC, BC: (Canada Mining Innovation) Clean, Low-energy, Effective, Engaged and Remediated (CLEER) Supercluster: Powering Clean Growth Through Mining Innovation
5. QUEBEC, ONTARIO, BC, ATLANTIC CANADA: (CAE) Mobility Systems and Technologies for the 21st Century (MOST21)
6. ATLANTIC CANADA: (Petroleum Research) Ocean Supercluster
7. SASKATCHEWAN: (AG-West Bio) Protein Innovations Canada (PIC) Supercluster: Unleashing the Potential of Canadian Crops
8. ALBERTA: (Agrium) Smart Agri-food Supercluster
9. ALBERTA: (Stantec) Smart, Sustainable and Resilient Infrastructure (SSRI) Supercluster

Innovative Solutions Canada Program



Innovation, Science and Economic Development Canada

Innovative Solutions Canada is aimed squarely at innovators. By funding proposed solutions, the program is supporting the development of early-stage, pre-commercial innovations. (\$100M)

To solve the following specific challenges:

- Connected Vehicle and Engineered Surfaces (ISED)
- Engineered surfaces (ISED)
- Artificial Intelligence and Big Data Analytics for Advanced Autonomous Space Systems (Canadian Space Agency)
- 3D Printing and Additive Manufacturing: Metal Powder Bed Density Test Equipment (NRC)
- Advanced Coatings and Materials for Personal Protective Ensembles (DND)
- Robust “Beyond Line of Sight” (BLOS) Communications in Satellite-Denied Environments (DND)

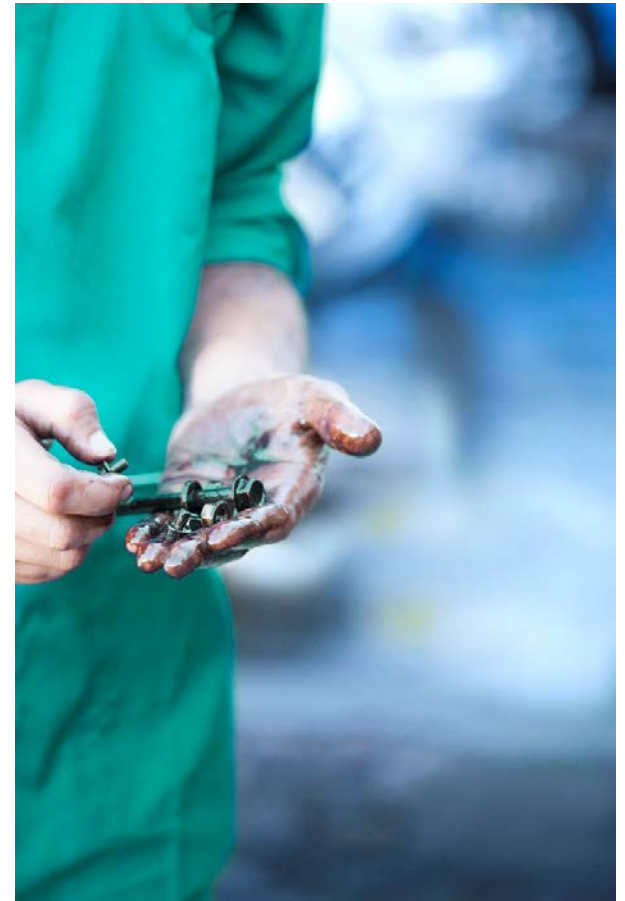
Applications open on January 22, 2018. Closing dates are February 9th and February 26th (Depending on the challenge applied for)

Examples of other programs

- **CITC** –The Capital Investment Tax Credit (CITC) encourages manufacturing, processing and tourism infrastructure companies to make capital investment in Alberta.
- **NSERC** –The Natural Sciences and Engineering Research Council (NSERC) offers companies access to talented natural sciences and engineering undergraduate students for a work term. This cost-shared program allows students to address company-specific research and development (R&D) challenges while gaining valuable industrial experience. Experience Awards also lets companies identify potential future full-time employees.
- **Canada Jobs Training Grant** –Any Province. For example, 2/3 or up to \$10K (or \$15K) per employee for any type of training for employees.
- **CSA** –Funding opportunities are also available through the Canadian Space Agency.

Things to consider...

- Careful with grinding / double dipping between programs
- Some programs require you to have sufficient funds to start the project, continue with the project, etc.
- If you failed the first time, try again
- Relationship between shareholders/employees and other corporations may disqualify the Company from receiving funding
- Depending on the type of funding, some government funds are capped or open for a limited time
- You may be giving up their IP or negotiate ownership of IP created –collaboration grants



Final notes

There is a significant amount of funding available for companies of all sizes and structures, for various business and operational initiatives.

Funding available is, in some cases, very specific to province or territory. Example: Saskatchewan's patent box.

Alberta, Ontario and BC seem to be leading the way.

We can help

Phase 1 – Report that identifies every potential form of funding available

Phase 2 and 3 – Application / Submission

And of course, we can also help with your SR&ED claim.



Jacqueline Gustafson

Director – Markets, Tax Incentives Practice

KPMG LLP

Tel: 604 691 3528

mcjgustafson@kpmg.ca

kpmg.ca



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