



Government Funding

Tax Incentives

December 2018

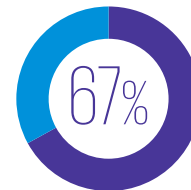
Bridging the innovation gap

KPMG's Canadian Manufacturer's Outlook identified that most companies would do well to get help, apply for incentives, and take advantage of the funding that is available to increase their R&D spending.

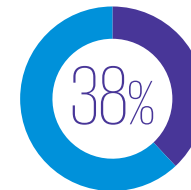
Revenue spend on R&D/Innovation*

	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



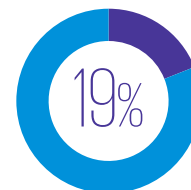
SR&ED



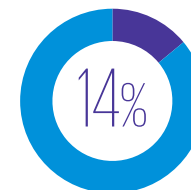
Apprenticeship credits



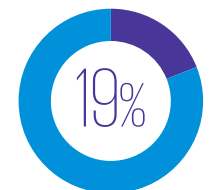
Co-op credits



IRAP



NSERC



Other

*May not total 100% due to rounding

Canada as a global leader in innovation

Six Economic Strategy Tables:

- new model for industry-government collaboration
- focused on turning Canadian strengths into global advantages
- support innovation
- chaired by industry leaders

Mandate:

- identify sector-specific challenges and bottlenecks
- lay out actionable roadmap to achieve ambitious growth targets

Report: The Innovation and Competitiveness Imperative

Economic Strategy Tables

1 - Advanced Manufacturing - Leveraging rapid technological change in advanced manufacturing to strengthen Canada's manufacturing sector.

Steelworks Design, Tekna Plasma and Powders, ArcelorMittal Dofasco, Bell Helicopter Textron, MDA, S2G Bio Chemicals, Rockwell, CAE, 3M, ATCO, Schneider Electric, Martinrea International Inc.

2 - Agri-Food - Positioning Canada's agriculture and agri-food sectors for long-term growth.

3 - Health/Bio-Sciences - Positioning Canada to be a global leader in health/bio-sciences innovation through long-term sustainable growth driven by the collaboration of health/bio-sciences companies and partners.

4 - Clean Technology - Driving transformative innovation and clean growth across all business sectors of the economy through increased development, commercialization and adoption of clean technology solutions.

5 - Digital Industries - Positioning Canada's digital industries for economic growth.

6 - Resources of the Future - Positioning Canada's resources for the future economic growth

From Canada's Fall Economic Update

The Government is planning a \$1.1B six-year Export Diversification Strategy to help businesses access new markets. Under this heading, the CanExport program will triple in size with an additional \$100M in funding.

The Strategic Innovation Fund will receive a further \$800M in funding over five years. \$100M of this amount will go to the forestry sector, while \$250M will go to the steel and aluminum sector.

The government will invest another \$50M to make more venture capital available to the cleantech sector under the Venture Capital Catalyst Initiative.

For manufacturers: the full cost of machinery and equipment can be written off immediately. Businesses outside of the manufacturing industry will also benefit from a similar incentive that supports writing off a greater portion of capital investments in year one.

FEDERAL FLAGSHIP INNOVATION PLATFORMS

4 flagship platforms:

Trade Commissioner Services

Industrial Research Assistance Program (IRAP)

Strategic Innovation Fund (SIF)

Regional Development Agencies:

- Building on regional innovation capacity
- Business-centric
- Streamlined programming (from 22 to 2 programs)

Direct vs. indirect funding

Two categories of government programs for most 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

Canadian incentive programs (Federal)



SR&ED \$3B - 2012 and 2013 budgets approx. \$1.3B redirected from SR&ED program mainly to direct support programs

2018 Federal Budget

Direct R&D support for various new or existing programs such as:

- \$700M increase to IRAP in each of the next 5 years
- \$3.2B NSERC
- \$911M six regional development agencies across Canada
- \$172M Canada Media Fund
- Consolidation of Canadian Trade Commissioner Service programs
- Cybersecurity

\$1.26B for the Strategic Innovation Fund

\$155M for funding through OERD

\$950M for the Innovation Superclusters Initiative

\$100M for Innovative Solutions Canada

\$3B for the Canadian Agricultural Partnership

SR&ED program

Significant savings on \$\$\$ already spent

- Federal credit is 15% 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 – will receive a further \$800M in funding over five years. \$100M of this amount will go to the forestry sector, while \$250M will go to the steel and aluminum sector.**

▶ **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


Innovation Superclusters

ISED / \$950M / 450 businesses, 60 post-secondary institutions and 180 other

1. **QUE**: (Optel Group) AI-powered Supply Chains Supercluster. 110 participants including Optel, CGI, Agropur, Aldo, Air Canada, CN, Coveo, NEXT Canada, IVADO, and University of Waterloo.
2. **ON**: (Communtech Corporation, MaRS) Building and Advanced Manufacturing. 130 participants including Linamar, The Woodbridge Group, Autodesk, Clearpath Robotics, Myant, voestalpine High Performance Metals, Thalmic Labs, University of Waterloo, Communtech, and MaRS Discovery District
3. **BC**: (TELUS) Canada's Digital Technology Supercluster. 270 participants including TELUS, Microsoft, Avcorp, Shoppers Drug Mart, Victory Square Technologies, D-Wave, Appnovation, UrtheCast, Research Universities' Council of BC (UBC, UVic, SFU, UNBC, Emily Carr and BCIT), and University Health Network.
4. **ATLANTIC CANADA**: Ocean Supercluster. 110 participants including Petroleum Research Newfoundland & Labrador, Emera Inc., Cooke Aquaculture, CFFI Ventures (Clearwater), PAL Aerospace, Cuna del Mar, Scotia Seafood Producers, SmartICE, Dalhousie University and Memorial University of Newfoundland.
5. **SK**: (AG-West Bio) Protein Innovations Canada. 100 participants including AGT Food and Ingredients Inc., Maple Leaf Foods Inc., ISM Canada Inc., Dow DuPont Agriculture, Farmers Edge Inc., Botaneco Inc., Dot Technology Corp. and SeedMaster Mfg., Enns Brothers, Sightline Innovation Inc., University of Saskatchewan, Roquette Agri-Food Canada, Conexus Credit Union, and POS Bio-Sciences.

Innovative Solutions Canada Program

\$100M 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:

- Audio Quality Enhancements for Remote Interpretation Services (PSPC)
- Life Sign Monitoring System (Correctional Services)
- Detection System for Wireless Communication (Correctional Services)
- Kinetic Energy Harvesting on marine Vessels (DFO and Canadian Coast Guard)
- Preventing Contraband Delivery via Air and Ground (Correctional Services)
- Improving Robot-Environment Interaction (NRC)
- Moulding of High Performance Composites Materials (NRC)
- Composite Material Manufacturing Simulation Software (NRC)
- Tracing the Steel Industry Supply Chain (ISED)
- Advanced Decision Support for First Responder Command and Control (DND)
- Logistics and Resource Management of Emergency Response Assets (DND)
- Head Up Hands Free Fire Fighting (DND and Dev Canada Ctre for Security Science)

Of significance

Western Economic Diversification – Business Scale-up and Productivity Program announced in December. First call closes in January. (no more WINN?)

IDEaS – Innovation for Defence Excellence and Security (DND). Defence & Security Science & Technology (S&T). IDEaS is an augmentative approach to accessing innovation allowing Canada's military to better tap into extraordinary talent and ingenuity resident in Canada. Led by ADM.

CANSOFCOM – Under the Build in Canada Innovation Program, CANSOFCOM is looking for new technologies that can help to develop, generate and, where required, employ Special Operations Task Forces (SOTF) capable of achieving tactical, operational and strategic effects required by the Government of Canada (GoC).

CanExport – Triple in Size

MITACS and NSERC – Expanding eligibility to be more encompassing

Tourism Grants for Festivals and Events

Women funding initiatives

CARIC Acceleration Innovation Program in BC

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 continue to lead the way.

We can help

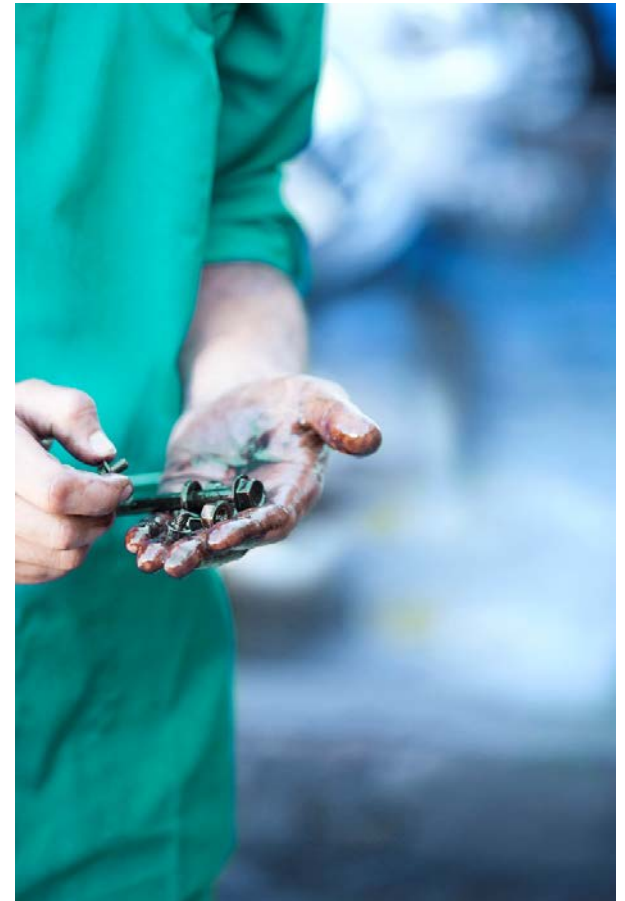
Aligning funding programs with upcoming projects through research and planning

Preparing government funding applications, following up with progress reports, etc.

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

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





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