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Financial Incentives that Keep on Giving: The Case for Canada



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Canada’s high performance economy has been and still is driven by its ability to trade and attract foreign investment. The “incentives” available to investors are less driven by high dollar grants to major multi-national companies and more by creating the ecosystem for the creation, attraction and maintenance of high value sustainable jobs in a changing and complex global business environment.

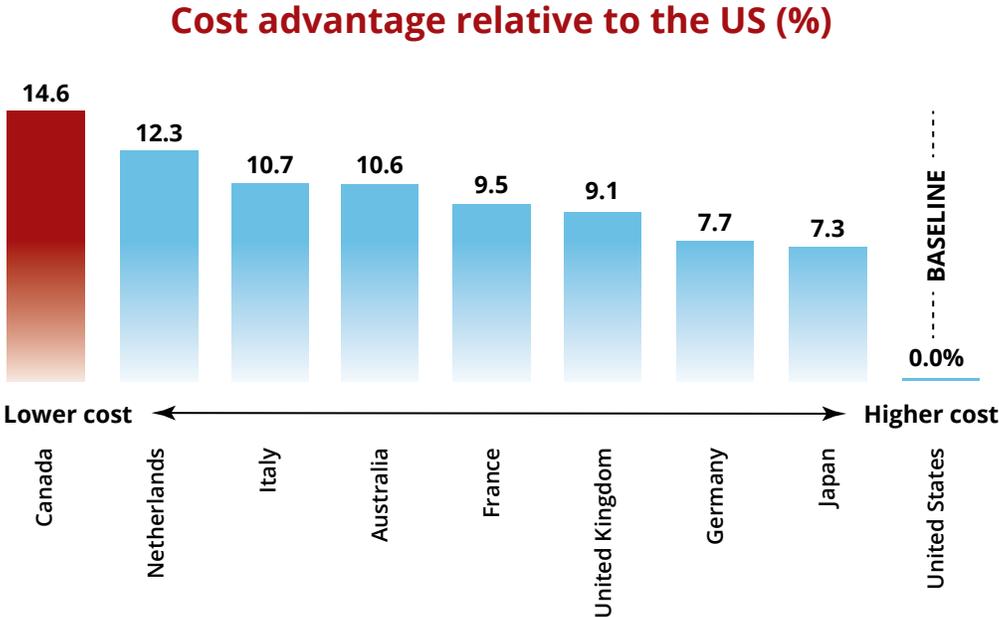
The large dollar value incentives are given to very successful multinationals in key sectors and involve extensive negotiations with the federal and provincial governments. These will not be addressed here.

The bulk of the incentives are mandated by law, open to large and small companies and to foreign and domestically owned companies. They apply to certain sectors, performance of R&D, worker training, exports and employment of science and engineering graduates, to name a few.

The members of the Consider Canada City Alliance are knowledgeable on how these programs apply in their region. They are ready to help you identify, integrate and apply for those that are applicable to your project.

Cost Competitive Environment, Lowest in the mature Economies

As a baseline, according to a recent KPMG study, Canada offers the lowest business costs in the mature economies.



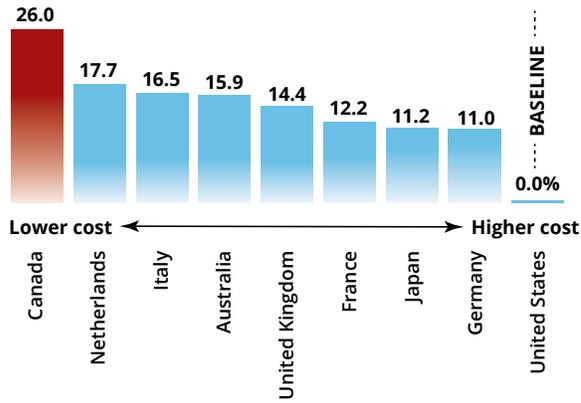
Digital services¹

Business operations:

Software development
Video game production studio

Key influences:

Salary levels and benefit costs for creative and technical IT professionals, plus incentives for digital media



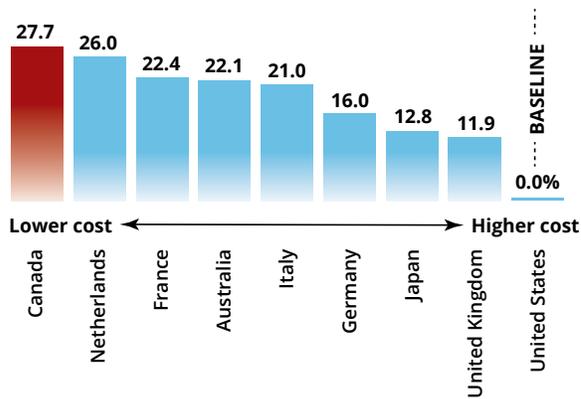
R&D services¹

Business operations:

Biomedical R&D
Clinical trials management
Electronic systems development and testing

Key influences:

Tax and incentive treatment of R&D expenditures



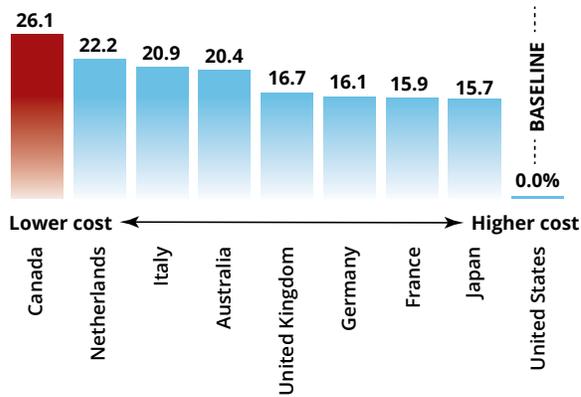
Corporate services¹

Business operations:

International financial services
Shared services center

Key influences:

Labour costs for entry level admin and customer service staff, as well as salary levels for finance professionals



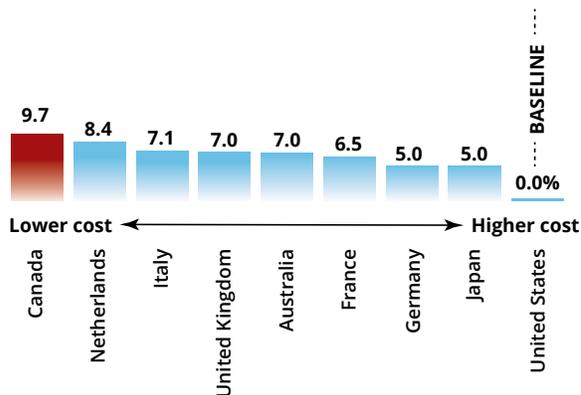
Manufacturing¹

Business operations:

12 industry-specific operations

Key influences:

Costs for globally sourced parts, materials and machinery are similar by location, resulting in moderate cost differences among countries



¹ All charts: % cost advantage relative to the US.
Source: KPMG's 2016 Competitiveness Alternative

Most Tax-Competitive Country in the G7

According to KPMG, total business tax costs in Canada are 46% lower than those in the U.S.. For the 51 cities studied with populations above 2 million, the CCCA member cities Toronto, Vancouver and Montreal were the top three cities for tax competitiveness. All Canadian cities ranked ahead of their U.S. counterparts with total tax costs well below the U.S. average.

Select Specific Incentives

1. Research & Development Incentives

Canada encourages the commercialization of new technologies through R&D, including intellectual property developed in partnership with government. The various research incentives are designed to spur innovation in Canadian businesses.

Scientific Research and Experimental Development (SR&ED)

The SR&ED program is intended to encourage businesses of all sizes, particularly small to medium and start-up firms, to conduct research and development (R&D) that will lead to new, improved, or technologically advanced products, processes, devices, and materials. Foreign controlled companies resident in Canada are eligible. The Canadian SR&ED tax incentive is the government's largest single support program for R&D. Canada has one of the more generous R&D programs among OECD countries. Each year the SR&ED program provides over \$4 billion in investment tax credits (ITCs) to over 18,000 claimants.

Strategic Aerospace and Defence Initiative (SADI)

The Strategic Aerospace and Defence Initiative (SADI) was launched in 2007. It provides repayable contributions to support research and development (R&D) projects in the aerospace, space, defence and security (A&D) sectors. SADI is available to firms of all sizes to support product, service or process innovation.

Industrial Research Assistance Program (IRAP)

Administered by the National Research Council, the program provides technical and business mentoring to SME's. It also provides \$10,000–\$250,000 per annum financing for companies that want to expand their business by applying technology to market their services, products and processes.

International Science and Technology Partnerships (ISTP) Program

Funds up to 50% of approved joint research projects with partner countries (China, India, Israel, and Brazil) if a business collaborates with universities, colleges, or research institutes to conduct research in the science and technology industry.

2. Export Incentives

Canada is an exporting nation with one in three jobs depending on exports. The Government of Canada provides assistance to companies that help diversify the country's exports through the Export Development Corporation (EDC).

Make Sure You Get Paid

EDC's insurance solutions protect against a wide range of risks, such as a customer's inability to pay, political instability and sudden contract cancellation. Solutions are flexible, with coverage available for a single customer, one contract, an entire book of receivables, or foreign affiliates. The insurance can also be used to offer your customers better payment terms, and free up bank operating lines by providing insurance as collateral.

Get Financing

EDC can work directly with a company or partner with a financial institution to provide additional credit capacity for a wide range of international business needs, such as working capital support.

Get Financing to Grow International Sales

A financial proposal is often key to landing a contract, and EDC can offer financing directly to your foreign customer. EDC can also provide limited recourse project financing for large-scale global infrastructure and industrial projects.

Finance Export- and Investment-Related Capital Needs

EDC can help access additional financing to support export-related activities and investments by providing your bank with a guarantee on loans for buying equipment, financing work in progress or working capital needs.

Finance Investments in Other Markets

If you want to invest in another market, perhaps by setting up a local office, EDC can provide financing support, as well as insurance to protect against many political risks.

Get a Bond Without Affecting Operating Lines

Banks usually demand collateral to post a bond on your behalf, tying up cash flow. EDC's bond and guarantee solutions can free up operating lines to keep your business running smoothly.

Protect Against a Changing Dollar

If you want to purchase a foreign exchange contract, financial institutions usually ask for collateral. EDC's guarantees can satisfy that demand, freeing up operating lines.

Obtain a Line of Credit or Other Financing from a Foreign Bank

If you need to secure an operating line of credit, obtain letters of guarantee, or meet landlord/lease obligations, a foreign bank will usually ask for collateral. EDC's guarantee can satisfy this demand.

3. Labour Incentives

The Government of Canada offers attractive incentives for companies that provide jobs, and education or skills training opportunities that help build a stronger and more diverse workforce.

Apprenticeship Job Creation Tax Credit (AJTCT)

Offers employers who hire and train apprentices in certain skilled trades a non-refundable tax credit equal to 10% (to a maximum of \$2,000 per year) of the eligible salary and wages payable to apprentices. Any unused credit may be carried back three years or carried forward 20 years.

Skills Link

Funding up to \$25,000 to cover the salary of an employee for up to 52 weeks, based on the provincial minimum wage rate, to hire and train certain young Canadians between the ages of 15 and 30.

Internship Program with Innovative Small and Medium-sized Enterprises

Up to \$30,000 incentive to cover part of a graduate's salary in innovative Canadian SMEs in a 6–12 month internship.

MITACS ACCELERATE Internship Program

For a four-month internship, MITACS matches an organization's contribution of \$7,500 through federal and provincial funding partners.

4. Sustainable Technology Incentives

Sustainable Development Technology Canada (SDTC)-SD Tech Fund

Provides funding for projects that address climate change, air quality, clean water, and clean soil. SDTC-funded projects are active in all major Canadian economic sectors.

Sustainable Development Technology Canada (SDTC)-NextGen Biofuels Fund

Funds up to 40% of eligible project costs (capped at \$200M per project). Total government assistance not to exceed 60% of project costs.

Green Energy Manufacturing Tax Credit (Manitoba)

This refundable income tax credit will be equal to 10% of the value of qualifying property produced in Manitoba and sold before 2019 for residential or commercial use in Manitoba.

5. Digital Media

Canadian Film or Video Production Tax Credit (CPTC)

The CPTC program gives a refundable tax credit of 25% of qualified labour expenditures by a qualified corporation for the production of a Canadian film or video production.

British Columbia Interactive Digital Media Tax Credit

Allows companies to claim 17.5% of qualified BC labour that is directly attributable to interactive digital media activities.

Nova Scotia Digital Media Tax Credit

A tax credit of up to 50% of the development costs of your interactive digital media product, and a 10% geographic bonus and \$100,000 marketing and distribution credit are also possible.

Quebec Multimedia Titles Tax Credit

A refundable credit of 26.5-37.5% of production costs for the development of multimedia titles.

Ontario Interactive Digital Media Tax Credits

A refundable tax credit of 35-40% for Ontario-based labour engaged in the multimedia product build. Up to \$100,000 of marketing/distribution costs can also be claimed.

Alberta Media Fund

The Alberta Media Fund (AMF) provides support to organizations and individuals involved in the Cultural Industries, which include screen-based media production, book and magazine publishing, and sound recordings. The AMF provides funding through a variety of grants.

6. Financing

Canada Small Business Financing Program (CSBFP)

Most start-ups and existing for-profit small businesses in Canada with gross revenues of \$10 million or less are eligible, excluding farming businesses.

BDC Small Business Loan

Funds up to \$50,000 with convenient 100% online application and affordable interest rate.

BDC Information and communications technology loan

Flexible, easy-to-access financing to purchase or upgrade information and communications technology, including hardware, software and consulting services

7. Free Trade Zone

If your company is involved in international trade, Canada has three of the most business-friendly incentive programs available anywhere. They are:

- the Duty Deferral Program (DDP);
- the Export Distribution Centre Program (EDCP); and
- the Exporters of Processing Services (EOPS) Program.

Taken together, the duty and tax benefits of these programs are broadly comparable to the advantages provided by foreign trade zones (FTZs) in other countries. Unlike traditional FTZs, which tie businesses to a location that may not be ideal for them, Canada's FTZ-equivalent programs offer your company the vitally important advantage of geographic flexibility, they apply to any location in Canada.

8. The Most Important Incentive

White Glove Service by the Members of the CCCA

The member cities of the CCCA provide you with the on the ground assistance to make sure that you are aware of all the incentives available, to decide which best fit your investment, and to navigate you through the application process.

Our members are committed to ensuring that investors make the right decision, choose the best location in Canada to meet their corporate objectives, and take maximum advantage of Canada's low cost business environment.

To start your journey, visit considercanada.com

About Consider Canada City Alliance

Consider Canada City Alliance represents a partnership between 11 economic development agencies from Canada's largest cities to promote Canada as an ideal destination for global trade and investment. Its members represent 52.5% of Canada's population, 56.8% of its GDP and 63.8% of GDP growth in Canada between 2010 and 2015.