

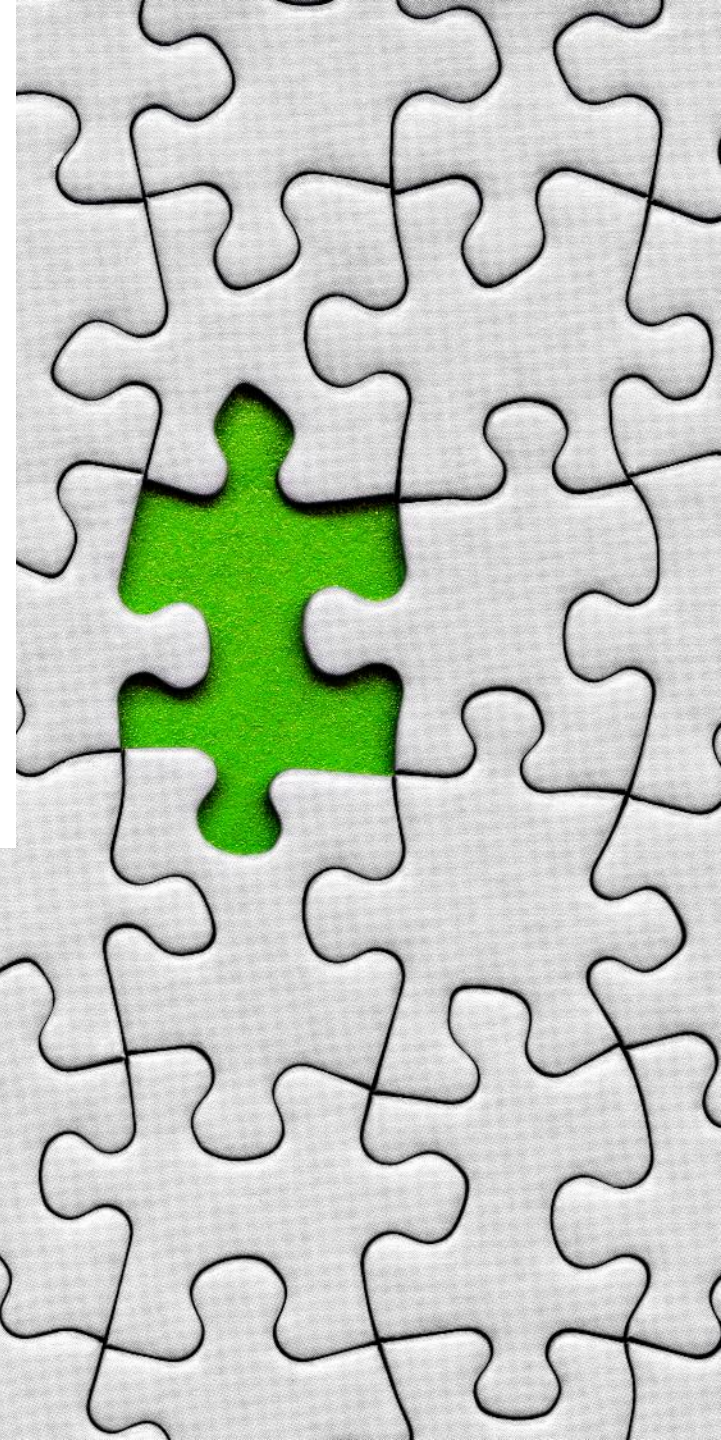
The Deloitte logo, consisting of the word "Deloitte" in a bold, blue, sans-serif font, followed by a small green dot.

Investing in Canada - BC

Benefits available for establishing
operations in Canada & BC

Presented to:
Washington Economic Development Association

August 15, 2017



Why do US based companies move portions of the business to British Columbia?

Who has already set-up shop?

To name a few....Facebook, Amazon, Microsoft, Slack, Tableau.

Why?

- **Government Incentives** for Innovation & Training Employees
- **Transfer Pricing** – leaves profits in Canada due to lower corporate tax rates than USA
- **Co's use the SR&ED program to reduce Canadian taxes (Hi-tech & MFG co's)**
- **Proximity** to Seattle & California - same time zone
- **Technical labour** is cheaper, stable & retention of foreign labour force in US offices
- **Supply of high quality technical labour** – engineers & developers
- **Currency exchange** – 25-35%

Techvibes

August 13th, 2017 Newsletter Quotes

[US Tech Talent Eyeing Canada for Relocation](#)

A new survey of US tech workers shows that Canada is far and away the most popular destination for would-be expats. Canada's innovation-focused efforts are attracting US talent, citing **more relaxed immigration policies, special visas for entrepreneurs, and tax incentives for businesses.**

[Amazon looks to Canada for expansion](#)

Amazon may soon be signing new office space leases in two of Canada's largest cities. According to Ross Moore, a senior vice-president with Cresa Vancouver Commercial Real Estate Services, Amazon is set to sign leases for 147,000 of additional square feet in downtown Vancouver and five floors of Toronto's Scotia Plaza.

Available government funding in BC

Incentive Programs

- A. Scientific Research & Experimental Development (SR&ED)
- B. Canada Job Grant
- C. Strategic Innovation Fund
- D. Career Focus
- E. Provincial or city economic stimulus incentives
- F. National Research Council Canada (NRC) Programs
 - i. Industrial Research Assistance Program (IRAP)

Scientific Research and Experimental Development (SR&ED)

What is SR&ED?

- The largest source of Federal government support for industrial research & development
- Over \$4 billion annually to over 18,000 claimants

Who is eligible to claim SR&ED?

- Taxpayers in Canada performing eligible SR&ED work in Canada
- Most software companies qualify to claim a portion of their staff

Scientific Research and Experimental Development (SR&ED) (cont'd)

What type of work is eligible?

- Work completed in Canada that meets the following conditions:
 - The work must advance the understanding of scientific or technologies
 - The work must address a scientific or technological uncertainty, and
 - The work must incorporate a systematic investigation by qualified people

What industries are typically eligible?

- Software development
- Medical
- Food & Beverage
- Machinery
- Manufacturing

Scientific Research and Experimental Development (SR&ED) (cont'd)

Effective Income Tax Credit Rates (ITC)

SR&ED Expenditures	ITC rate for CCPCs (Refundable)	ITC rate for non-CCPCs (Non-Refundable)
T4 Wages	64.3%	36.4%
Materials	41.5%	23.5%
Contractors	33.2%	18.8%

Note: These ITC rates include the Federal rate and the BC rate with overheads

- The most generous program available in Canada for R&D
- US co's receive a 36.4% tax credit on qualifying labour costs

CCPC – Canadian Controlled Private Corporation

SR&ED Example

Canadian subsidiary (Canco) owned by US Parent, performing R&D function, under 10% cost-plus arrangement.

Revenue (10% mark-up on expenses)		\$ 1,100,000.00	
Expenses			
	Salary	\$ 800,000.00	
	Other expenses	\$ 200,000.00	
		\$ 1,000,000.00	
Net income before tax		\$ 100,000.00	
Corporate tax (assume 26% BC rate)		\$ 26,000.00	
Net income		\$ 74,000.00	
SR&ED Income Tax Credits (ITC) at 36.4%		\$ 232,960.00	Assume 80% of salary amount qualifies
Tax payable		\$ -	
SR&ED ITC available for future use		\$ 206,960.00	Forms part of Canco's assets

Canada - BC Job Grant Training

What is the Job Grant used for?

- An employer driven, cost-sharing program to train employees
- Government covers two-thirds of the cost, **\$10,000 max recovery per employee / year**
- No cap by company
- \$\$\$ Cash back

Types of training covered when provided by a 3rd party

- Essential skills training
- Technical training
- Business training
- Management & leadership training
- Short term certificate training

When is funding available?

- Currently funding available for January – March 2018
- Funding runs out each quarterly Intake Window
- **\$40 million in funding provide each year in BC.** \$400 million across Canada

Strategic Innovation Fund (SIF)

What is SIF?

- Provides repayable and non-repayable contributions to firms of all sizes across Canada's industrial & technology sectors.
- Consolidates the Strategic Aerospace & Defence Initiative, Technology Demonstration Program, Automotive Innovation Fund and Automotive Supplier Innovation Program.
- Announced in July 2017

Who is eligible to apply

- All business carrying on business in Canada

Current funding status

- \$1.26 billion across Canada for next 5 years, starting in 2017

What types of projects qualify (Streams)?

- R&D & Commercialization
- Firm expansion & growth
- Investment Attraction & Reinvestment
- Collaborative Technology Development & Demonstration



Strategic Innovation Fund (SIF).....Cont.

Contributions

- Not to exceed 50% of the total eligible costs
- Collaborative Technology Development & Demonstration projects can receive 100% funding
- No funding limits set per application

Levels of Support

- Conditionally or unconditionally repayable
- Non-repayable
- A combination of the above two

Application process

- Stream 1,2,3 Continuous intake process
- Stream 4, Competitive process, 1st launched by March 31, 2018

Criteria

- Innovation Benefits
- Economic Benefits
- Publics Benefits
- Due Diligence



Career Focus

What is Career Focus?

- Funding for employers & organizations to design & deliver activities to enable youth to get experience to develop their skills.

Who is eligible to apply

- For profit organizations
- Not-for-profit
- Municipal, provincial & territorial govs, institutions, agencies & crown corporations

Eligible Participants

- Between the ages of 15-30
- Canadian citizens, permanent residents, or persons granted refugee status in Canada
- Legally entitled to work
- Not a receipt of Employment Insurance



Career Focus.....Cont

Project Activities

- Projects must involve a minimum of 8 participants
- Career related work experiences
- 6-12 month duration
- Nature & intent of the projects is not intended to generate profit.

Employer Benefit

- Program cover a maximum of 80% of the costs.
- Maximum per participant \$20,000. (Participant with disabilities, an additional \$20,000)

Eligible Costs

- Wages
- Materials & Supplies
- Hospitality costs
- Overhead costs
- Travel
- Professional fees
- Capital costs

Economic Stimulus Incentives

What are Economic Stimulus Incentives?

- Local or provincial tax forgiveness
- Land
- Cash incentives

Are they available?

- Typically not available in BC
- Suggested to utilize the publically available programs.
- **HQ Vancouver** - offers incentive for companies to establish a North American headquarters of emerging & established companies in Vancouver

Other Provinces

- Other provinces & cities do offer incentives
- Case by case

Industrial Research Assistance Program (IRAP)

What is IRAP?

IRAP assists small to medium sized businesses in developing, adopting and adapting technologies and incorporating them into competitive products and services to be commercialized in the global marketplace.

Eligibility requirements

A corporation must meet the following criteria:

- Be for profit
- Operate within Canada
- Employ 500 or less employees
- Demonstrate a willingness to build a trusting relationship with IRAP
- Intend to strengthen the business through innovation and technology

Current funding status:

- **\$225 million across Canada**



Industrial Research Assistance Program (IRAP) (cont'd)

Funding programs

Core R&D/Technology Development Projects (\$5k–\$500k)

- Feasibility, prototype development
- **What's eligible?** R&D projects that are novel, carry technical **risks**, some degree of **market validation**, and provide **benefits** to **Canada**

Market Assessment Program

- For a product, process or technology being developed, to help companies understand the market into which they will be selling their product, and how to enter the market and with what features

Technology Validation Program (TVP–IRAP Pacific) (<\$50k)

- To work with an early adopter to measure the value proposition of their product or service and gather the “proof”/testimonials needed to encourage further customer adoption

Youth Employment Program (YEP) (<\$20k)

- To hire highly skilled, post-secondary graduates—science, engineering, technology, business and liberal arts graduates – For first job (15–30 years old, Canadian citizen or Permanent Resident) for 6–12 months

Business Innovation Access Program (BIAP) (<\$50k)

- Funding to hire academic or industry-recognized experts for technical or business service addressing **well-defined problem** to accelerate commercialization efforts

Summary

Avail government funding in BC for foreign co's

A. Scientific Research & Experimental Development (SR&ED)

- Tax Credit
- 36.5% recovery on labour
- No cap on funding amount

B. Canada Job Grant

- 66% cash refund to a max of \$10,000 per employee / yr.

C. Strategic Innovation Fund

- Up to 100% of the projects eligible costs
- Repayable & non-repayable loans
- No cap on funding amount

D. Career Focus

- Covers up to 80% of the costs
- Max \$20,000 per participant (min of 8 participants)

E. Provincial or city economic stimulus incentives

- Not typically available in BC

F. National Research Council Canada (NRC) Programs

- Up to \$500,000 per year
- Only available to Canadian Controlled Private Corporations

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