

Editor's Welcome

Government Funding: Stay Ahead of the Curve



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Ela is dedicated to supporting the advancement of Canadian companies by identifying and leveraging innovative research and technology based funding options.



Written by:

Ela Malkovsky, Technical Writer and Editor-in-Chief

In business, as in life, it often seems that everything that can go wrong will. Adaptability and flexibility are therefore crucial for the success of any business. Unburdened by the lengthy bureaucratic process of large corporate hierarchies, small businesses are perfectly positioned to quickly adapt and take advantage of emerging opportunities.

Recognizing change as a permanent state of business allows companies to embrace change without fear or anxiety and to exploit opportunities before the competitors are able to do the same. According to the business definition, “adaptability shows the ability to learn from experience, and improves the fitness of the learner as a competitor.” In the competitive world of business, the companies that adapt the fastest are ultimately going to stay ahead of the curve.

As each company is seeking funding to invest into growth and expansion, adapting to the changing nature of government funding programs is crucial to attaining working cashflow. Although the nature of SR&ED is changing, more money is being invested into direct forms of funding.

Collectively, billions of dollars are available to small and medium-sized enterprises in grants, loans and tax credits. Unfortunately, it is the large number of available funding programs that also makes it incredibly challenging to navigate and adapt. By embracing the ever changing nature of government programs and establishing methods or resources to stay current with the latest changes, companies can take advantage of funding opportunities before funds are depleted by competitor companies.

At NorthBridge, we are committed to staying current with the latest developments in government funding and providing our clients with the resources they need to innovate, grow and stay ahead of the competition. In this issue, we have provided a short list of some pertinent government funding programs to demonstrate the kinds of opportunities that are available to small and medium sized enterprises.

Government Funding Programs



Business Growth

Business growth projects encompass export and commercialization activities that focus on competitive growth strategies. Business growth projects also include capital investment to develop and improve equipment and infrastructure.

Eligible Projects:

- New market development and market research.
- Commercialization and marketing tools.
- Expanding to global markets and developing direct contacts including participation in trade shows.
- Investments in sustainable and green technology.
- Purchases of new or upgraded equipment and technology.
- Productivity improvement investments directly linked to export growth opportunities.

CME SMART (Southern Ontario)

SMART Prosperity Now offers up to **33% of eligible costs to a maximum of \$75,000** to foster long-term growth by enhancing operational efficiencies that lead to future prosperity and global export opportunities.

Export Market Access (Ontario)

Offers grants up to **50% of eligible costs to a maximum of \$30,000 per application** to help small and medium-sized enterprises (SMEs) increase access to global markets such as India, China and the U.S.

Eastern/Southwestern Ontario Development Fund

The Eastern/Southwestern Ontario Development Funds were established to provide financial assistance and incentives to promote regional economic development. The funds provide grants up to **15% of eligible project costs to a maximum of \$1.5 million**.

Additional Programs: FedDev: Investing in Business Innovation, Export Guarantee Program.



Innovation

Innovation and R&D projects focus on the development of products and related processes that are new to the company or the industry.

Eligible Projects:

- Development and implementation of new and innovative products, processes or technologies.
- Improvement of existing products or processes.
- Late stage commercialization.
- New applications or markets.

Southern Ontario Fund for Investment in Innovation

Provides loans **up to \$500,000** with an interest rate of 8-12% to support high-growth, innovative small and medium-sized enterprises in knowledge-based industries, located in rural and urban communities.

SR&ED (Federal)

The Scientific Research & Experimental Development (SR&ED) program is the largest single source of federal government support for industrial R&D. It gives claimants cash refunds and/or tax credits for costs on eligible R&D work done in Canada. Generally, a Canadian-controlled private corporation (CCPC) can earn an investment tax credit (ITC) **up to 68% of eligible labour, and 35% plus provincial incentives on materials and other expenditures**.

Additional Programs: North Ontario Development Program, Ontario Tax Exemption for Commercialization, NRC-IRAP.

MAXIMIZING Government Funding FOR GROWTH



Written by:

James Ro, Vice President of NorthBridge Consultants

Financing for innovation, growth or expansion remains a large obstacle for many small and medium-sized enterprises (SMEs) in Canada. Federal and provincial funding programs amount to over \$20 billion annually and demonstrate that the government recognizes that these initiatives encourage Canadian businesses to take on business risks and continually innovate, pursue new markets, grow the economy and create jobs.

Approximately 20% of all Canadian business owners indicate that obtaining financing is an obstacle to growth. Funding options such as grants, loans and tax credits should be considered as part of the overall financing solution for investing in product development or process improvements, working capital, expanding facilities or purchasing new equipment.

Receiving government funding is one of the best ways to attain financing for innovation and business expansion and provides a significant competitive advantage in the domestic and international marketplace for companies in all industries and of all sizes; however, when a company makes a decision to invest in innovation or growth, there needs to be a certain level of confidence that the initial investment will be recovered in a timely fashion. Government funding programs assist companies in realizing a positive “return on investment” and significantly add to cash flow, which drives investment. Ultimately, companies that do not take advantage of various programs are at a significant competitive disadvantage.



James Ro

Vice President of NorthBridge Consultants

James has over 10 years of experience in a wide range of business areas, including SR&ED, management, debt and equity financing, mergers, acquisitions and divestitures.

The problem is, there are literally hundreds of available programs in various forms including tax credits, grants and loans which change periodically, have limited funding and specific application periods, resulting in significant hurdles to identifying existing programs and complying with the application process. In fact, studies have shown that burdensome and time-consuming application processes and lack of awareness about existing programs are the main reasons that companies do not participate in government funding programs.

Most companies do not have the time and resources to stay current with the changing funding system or deal with the unpredictability and inconsistencies of the application processes. These facts can help justify using experienced consultants as they often play a role in helping companies stay current with the right programs for their business objectives. If third-party preparers can improve the awareness and program application compliance, especially in today's changing economic landscape, then accessing financing from these sources can give Canadian companies the edge they need to take their business to the next level.

News – NorthBridge Holds Digital Media Webinar

NorthBridge recently held a free webinar, *Get in the Game: Sources of Funding for Digital Media*. The session outlined numerous government funding options for digital media companies, including the Canada Media Fund, OMDC Interactive Digital Media Fund (IDM Fund), Ontario Interactive Digital Media Tax Credits (OIDMTC), Industrial Research Assistance Program (IRAP) and more.

We also looked at strategies for combining programs and maximizing direct and indirect funding opportunities. For a copy of the presentation or to request information on upcoming sessions please contact:

info@northbridgeconsultants.com

Also be sure to check out our last newsletter (Summer 2012) which featured funding options for digital media.



Workforce Development & Job Creation

Investments into workforce development involves hiring and training of staff in skilled trades including interns, summer workers, co-op students and recent graduates.

Career Focus – Agriculture (Federal)

Accepting project proposals until December 31, 2012

The Career Focus Program will contribute \$864,000 annually to projects in agriculture, agri-food, agri-food science and veterinary medicine to provide agricultural internships for Canadian graduates. Each internship may last 4 to 12 months. Approved projects will receive up to **50% of total eligible costs to a maximum of \$20,000**.

Small Business Internship Program (Federal)

Accepting project proposals until December 14, 2012

SBIP supports SMEs to actively market on-line and improve their competitiveness with e-business practices and technologies. **Up to 75% of the eligible wages and related expenses to a maximum of \$10,000**.

Additional Programs: Mitacs Accelerate, Co-operative Education Tax Credit.



Gerry Fung M.B.A., M.A.Sc, P.Eng

Director of Business Development

Gerry is a Professional Engineer who has been involved in the SR&ED program since 2003. He has also gained significant business experience managing the operations of a retail consumer products distributor and e-commerce direct-sales.

Bill C-45: What You Need to Know

Written by:

Gerry Fung, Director of Business Development

Changes to the SR&ED program outlined in the March federal budget are forthcoming – the federal government recently tabled a bill (Bill C-45) which addressed several corporate tax measures. Many of the SR&ED revisions will be in full effect by 2014, so companies conducting research and development may want to consider accelerating certain expenditures to ensure that they are incurred before 2014.

Adjustments to the SR&ED program initiated in the federal budget and addressed by Bill C-45 include:

- Reduction of the Federal SR&ED investment tax credit rate for large or foreign-owned companies to 15% from 20% (effective January 2014).
- Reduction of the prescribed proxy amount, used to claim overhead expenditures, from 65% to 55% of the salaries and wages of employees engaged in SR&ED activities. The prescribed proxy amount will be 60% of direct labour costs in 2013, and 55% of direct labour costs in 2014.
- Reduction of arms length subcontract expenses from 100% to 80% of eligible contract costs.
- Removal of capital from the base of eligible expenditures incurred in 2014 (and subsequent years).

In addition to SR&ED, other corporate tax measures are addressed by Bill C-45. Notable modifications include:

- Expansion of the eligibility for the accelerated capital cost allowance for clean energy generation equipment to include a broader range of bioenergy equipment.
- Expansion of the Atlantic Investment Tax Credit (AITC) to include electricity generation and clean energy generation equipment as qualified property when used primarily in an eligible activity; phase out for AITC activities related to the oil & gas and mining sectors.
- Phase-out of the Corporate Mineral Exploration and Development Tax Credit.

Your NorthBridge advisor can assist your company to assess the effects of any changes that Bill C-45 introduces, and to take full advantage of all government incentive programs. We will also keep you up to date of the progress of any forthcoming proposals and new programs as they pertain to your business, and help you to secure a competitive advantage.

