

Winter 2016 Quarterly Newsletter

Editor's Welcome:

State of the Industry and the Winter Advantage

Written by: Ela Malkovsky, Editor-In-Chief



Canadians are well known for their resilience during the cold winter months. This resilience translates well to the business world, where Canadian manufacturers continue to push scientific boundaries even as the snow and cold linger.

As the calendar turns over, many businesses look to get organized for the year ahead. Identifying prospective R&D activities for inclusion in the Scientific Research & Experimental Development (SR&ED) tax credit program is one way to ensure you maximize your business' profitability for the coming year. This period can also provide a great opportunity to develop strategies for increasing company efficiency. If you lost valuable time during the last fiscal year in trying to allocate labour or locate and identify relevant records of activities performed, it may be worthwhile to revisit your existing activity tracking system, simplifying or strengthening it in order to save valuable time and reduce frustration down the road.

The new year also brings with it an excellent opportunity for businesses to better familiarize themselves with grant opportunities that may be relevant for ongoing and future projects. Whether you are looking to expand your facilities, increase access to global markets, further your workforce development, or integrate new technologies with your processes, obtaining government funding is key to realizing the full potential of your initiatives. In this edition of our newsletter, we have broken down select government funding opportunities by region in order to provide an overview of what programs are available across Canada. By getting organized and developing a plan for upcoming R&D activities, companies can gain the competitive edge they need to fine-tune operational strategies and increase competitiveness in 2016.



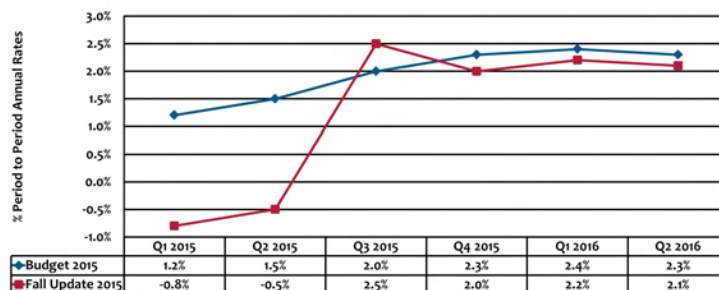
Fiscal Outlook for 2016

Government of Canada's Economic and Fiscal Outlook

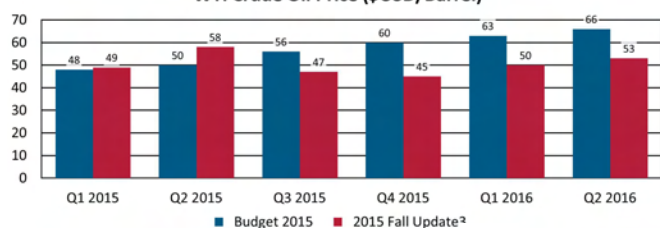
According to private sector economists, real GDP growth in Canada over the next four years is expected to average 1.9% per year, while global equity markets rebound despite persistent instability following high volatility in the summer of 2015.

Manufacturing sales and exports are expected to continue growing in 2016 with a lower Canadian dollar and strong demand from the U.S., which is anticipating a 0.3% real GDP growth in 2016 as compared to 2014.

Real GDP Growth



WTI Crude Oil Price (\$USD/Barrel)



Commodity pricing (agriculture, crude oil, base metals, and natural gas) has been subject to slower growth than anticipated at the beginning of 2015 as a result of high inventory levels and slower than expected global economic growth, with crude oil prices of less than US\$60 per barrel projected through 2020.

Fall Update 2015 Q1 2015 and Q2 2015 values are actual; all others are estimated/predicted
Source: "Update of Economic and Fiscal Projections: Chapter 2 - Economic Developments and Prospects", Government of Canada, www.budget.gc.ca

Government Funding in Ontario:

Select Opportunities and Programs across Ontario

Ontario Interactive Digital Media Tax Credit (OIDMTC)

The OIDMTC, offered through the Ontario Media Development Corporation (OMDC), provides **refundable tax credits** for labour, marketing, and distribution activities related to the **development of interactive digital media products**.

Amount:	35% or 40% of qualifying expenditures related to labour, marketing, and distribution;
Eligible Costs:	Direct development labour, marketing, and distribution costs related to the development of Interactive Digital Media products;
Criteria:	Product developed in Ontario ; interactive digital media product; product has the primary purpose to educate, inform, or entertain ; the primary purpose is achieved using at least two of the following: text, sound, and images; Canadian corporation (Canadian or foreign-owned);
Additional Info:	Funding is claimed once activities related to product development have been completed and the product is launched.

Export Market Access (EMA)

EMA is a **grant** offered by the Ontario Chamber of Commerce (OCC) that assists in **increasing access to global markets** and export sales by funding participation in trade shows.

Amount:	50% of eligible project costs up to \$30,000;
Eligible Costs:	Direct contacts (trade show exhibitions) , marketing and research tools, foreign bidding projects, and incoming and outgoing missions;
Criteria:	Small- and medium-sized companies currently established and operating in Ontario, 5-500 employees, incorporated 2+ years, and reviewed financials;
Additional Info:	Applicants must have market-ready products and the capacity to meet foreign market demand .

Eastern Ontario Development Fund (EODF)

EODF is a **grant to promote regional economic development** in 15 geographic areas in Eastern Ontario including: Frontenac, Haliburton, Hastings, Kawartha Lakes, Lanark, Leeds & Grenville, Lennox & Addington, Muskoka, Northumberland, Ottawa, Peterborough, Prescott & Russell, Prince Edward, Renfrew, and Stormont, Dundas, & Glengarry.

Amount:	15% of eligible project costs up to \$1.5M;
Eligible Costs:	Equipment , facility retrofits and expansions, project related costs, etc.;
Criteria:	Multi-year project with a minimum investment of \$500,000 , increase workforce by at least 10 employees, 3+ years in business;
Additional Info:	No deadline.

Canada-Ontario Job Grant (COJG)

The Canada-Ontario Job Grant provides **funding for short-term training** and operates on a provincial basis.

Amount:	66% of eligible costs up to \$10,000 per employee;
Eligible Costs:	Third-party training costs such as tuition, textbooks, required/necessary software, mandatory student fees, and examination fees;
Criteria:	Third-party training is provided for employees at private corporations, non-profit groups, First Nations councils, or training organizations;
Additional Info:	This program is scheduled to run until 2020.

Please note that this list is not comprehensive and does not list all government funding programs available in these regions. Some government funding programs that appear above are available in multiple regions and their locational representation is for information purposes only. Please contact us to inquire about the availability of these and other programs in the region you are interested in.

Area-Specific Government Funding in Ontario:

Select Opportunities and Programs in Southern Ontario

Investing in Business Innovation (IBI)

IBI is a **repayable grant** to assist start-up businesses in Southern Ontario **accelerate the commercialization of new products** and processes by augmenting private sector investments.

Amount: **33% of eligible costs** up to \$1M;

Eligible Costs: Labour, **capital and operating expenditures**, materials and supplies, consulting and/or professional fees, minor non-capital acquisitions;

Criteria: Start-up business in Southern Ontario, less than 50 employees, with **proof of funding commitment from a recognized capital investor**;

Additional Info: Multi-year projects will be considered; all project activities **must be completed by December 31, 2018**.

Investing in Business Growth and Productivity (IBGP)

IBGP is a **repayable non-interest bearing loan** that supports Southern Ontario businesses in terms of market or facility expansion and the adoption of new technologies to **improve productivity for increased competitiveness in global markets**.

Amount: **25% of eligible project costs** up to \$20M;

Eligible Costs: Improvement or construction of facilities, **new or adapted processes and equipment**, training, direct costs such as labour and professional expertise, etc.;

Criteria: Small- and medium-sized manufacturers based in Southern Ontario, 15-1,000 employees, **track record of profitability**, expectation of increased export sales and job creation;

Additional Info: This program is scheduled to **close on December 31, 2018**. All projects must be finished by this date.

Southwestern Ontario Development Fund (SWODF)

SWODF is a **grant to promote regional economic development** in 18 geographic areas in Southwestern Ontario including: Brant, Bruce, Chatham-Kent, Dufferin, Elgin, Essex, Grey, Haldimand, Huron, Lambton, Middlesex, Niagara, Norfolk, Oxford, Perth, Simcoe, Waterloo, and Wellington.

Amount: **15% of eligible project costs** up to \$1.5M;

Eligible Costs: **Equipment**, facility retrofits and expansions, project related costs, etc.;

Criteria: Multi-year project with a **minimum investment of \$500,000**, increase workforce by at least 10 employees, 3+ years in business;

Additional Info: No deadline.

Achieving Innovation and Manufacturing Excellence (AIME)

AIME is a **grant** offered by the Yves Landry Foundation (YLF) for **training activities** which will support innovation.

Amount: **25-50% of direct and indirect costs** up to \$50,000;

Eligible Costs: **Trainer fees**, trainee wages, materials, travel and accommodation for employees, etc.;

Criteria: **Manufacturer in Southern Ontario**, 10-1,000 employees, and 3+ years in business;

Application Info: No deadline.

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SR&ED in Ontario

Federal SR&ED Tax Credits

Through the Scientific Research and Experimental Development (SR&ED) tax credit, qualified Canadian-Controlled Private Corporations (CCPCs) can receive a refund of up to 35% on eligible expenditures incurred in the development of new or improved products or processes. Foreign owned or public corporations can qualify for a 15% tax credit on eligible expenditures.

In Ontario, additional provincial tax credits on qualified SR&ED expenditures include the Ontario Research and Development Tax Credit (ORDTC) and Ontario Innovation Tax Credit (OITC), among others. These provincial tax credits operate in conjunction with the federal SR&ED program.

Ontario Provincial SR&ED Tax Credits

Ontario Innovation Tax Credit (OITC)

The OITC is a refundable tax credit available to public and private corporations that are performing SR&ED in Ontario and are eligible for the federal SR&ED Investment Tax Credit (ITC).

Amount:	10% up to \$300,000 with a \$3M expenditure limit*;
Eligible Costs:	SR&ED expenditures; 40% of capital expenditure costs made prior to 2014;
Criteria:	Companies performing SR&ED in a permanent establishment in Ontario during the year who have filed an SR&ED expenditures claim on federal form T661 for the tax year;
Additional Info:	The OITC is claimed on Schedule 566 and filed with the T2 corporation income tax return. The OITC and ORDTC may be claimed on the same SR&ED expenditures.

* \$3M Annual expenditure limit is phased out if taxable paid-up capital (PUC) for previous year is between \$500,000-\$800,000 or exceeds \$25M; the expenditure limit is eliminated when PUC reaches \$50M.

Ontario Research and Development Tax Credit (ORDTC)

The ORDTC is a non-refundable tax credit available to qualifying corporations on eligible SR&ED expenditures performed in Ontario to reduce provincial income tax payable.

Amount:	4.5% non-refundable;
Eligible Costs:	SR&ED expenditures;
Criteria:	SR&ED activities must be attributable to a permanent establishment in Ontario;
Additional Info:	The ORDTC is claimed on Schedule 508 and filed with the T2 corporation income tax return.



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About Us:

NorthBridge Consultants has been assisting companies access government funding for over 20 years. As one of the largest independent government funding consulting firms in Canada, our objective is to maximize our clients' funding potential.

