

SMALL BUSINESS BC

BLOG POST

5 ESSENTIAL TIPS FOR MAXIMIZING GOVERNMENT FUNDING

FUNDING

Government funding is vital for startups and small companies as it provides a source of non-dilutive financing which enables companies to grow by investing in much needed capital equipment, research and development, as well as hiring and training initiatives.

However, gaining a true competitive advantage requires that companies maximize the cost effectiveness of time and resources that are spent on funding applications by choosing the right funding combinations at the right time. By leveraging the right sources of government funding at the right stage of growth you can significantly maximize the returns on your time and resource investment in government funding applications.

Listed below are some essential tips for identifying how and when to leverage different sources of funding in order to get the most out of the time and resources that you invest into your application.

Prepare for Upcoming Projects

Since most government grants have strict application time frames and eligibility requirements, as well as limited funds, planning ahead to apply for different funding programs in accordance with the evolving objectives of your business is one of the most important factors in maximizing the value of government tax credits, grants, and loans.

This involves developing a business plan in order to identify fundable activities and thereby applying for grants before you incur the expenditures. It also involves staying updated on program changes and new program announcements which relate to upcoming trade shows, research and development projects, hiring and training initiatives, and equipment purchases or facility expansion plans within your company.

For example, Scientific Research and Experimental development (SR&ED) tax credits are claimed retroactively with the annual income tax return, while most grant applications need to be submitted and approved before the project begins. Companies can apply for both tax credits and grants as long as they separate eligible expenditures.

Link and Combine Different Sources of Funding

Tax credits and grants can be linked and leveraged in conjunction to meet the specific objectives and needs of your company for different projects and at various stages of the project life cycle, from initial product development to global market expansion.

By combining various sources of funding, companies can finance different parts of their projects such as capital equipment purchases, skill development initiatives as well as commercialization and export efforts alongside their annual SR&ED claim submissions.

Funded projects can be correlated to each other. Capital equipment purchases may in turn enable your company to develop new or improved products or processes which may be eligible for additional SR&ED tax credits. In addition, hiring grants can enable your company to increase the number of R&D employees, and subsequent labour expenditures that can be claimed for SR&ED tax credits, while training grants can help enhance employee capabilities/knowledge base for future SR&ED projects.

Stack Federal and Provincial Funding

Stacking federal and provincial funding opportunities can help companies gain a competitive advantage in both local and global markets and receive support for a wider range of activities.

For example, if you are developing digital games, the BC Interactive Digital Media Tax Credit (BCIDMTC) program provides a refund of up to 17.5% of eligible salaries and wages. If your company pays BC provincial taxes and only claims federal SR&ED credits, you may be eligible to receive tax credits from both the SR&ED and the BCIDMTC programs.

Similarly, companies hiring co-op students may be eligible for a federal \$4,500 grant per student under the federal NSERC Experience Awards, or \$2,700 per student from the BC Tech Co-op Grants Program, while up to 80% of salary costs for hiring recent graduates under the age of 31 may be covered through the federal IRAP Youth Employment Program.

Track Expenditures and Experimental Documentation

The SR&ED program is one of the more lucrative funding programs for companies performing R&D but the concern that SR&ED returns will be outweighed by the time and resources invested in completing the application itself deters many companies from applying; however, a well-supported, clear and concise application can be processed faster and is much more likely to be accepted.

Therefore, developing an effective tracking system for maintaining SR&ED technical and financial supporting documents related to each project is critical for maximizing the return on your resource investment in the application.

Supporting documentation provides evidence that the project meets eligibility requirements and enables companies to separate project expenditures in order to qualify for multiple programs while adhering to maximal government funding stacking limits. SR&ED claims in particular, require documentation that was produced at the time that the work progressed to demonstrate the hypotheses tested and the results achieved.

Report After Submitting Your Claim

Providing the necessary reports for grant reconciliation and SR&ED review process after your claim has been submitted is just as important as the initial application itself.

SR&ED claims undergo a risk assessment which determines whether the claim will be accepted as filed, or selected for a review. Understanding the SR&ED review process before submitting a claim can significantly reduce your resource investment. Although intimidating, an SR&ED review process provides companies with the opportunity to contribute additional documentation to support the eligibility of the work claimed.

In order to obtain payment after submitting a grant application, companies must achieve project goals/metrics and provide evidence of incurred eligible expenses. Although some grants pay an installment upon acceptance of the application, almost all grants require a reconciliation of the expenditures incurred as part of the approved project in order to receive further payments. While the reconciliation process for each grant differs, most involve providing invoices and proofs of payment for the Reimbursement. Often, a comprehensive and detailed final report is required to explain any discrepancies and provide written statements about the success of the project.

By providing a source of non-dilutive financing, government funding can help early stage companies meet cash flow demands when investment requirements exceed available cash flow. Thereby, government funding allows small companies to extend their runway and grow, and thus indirectly attract private financing by reducing perceived risk for potential venture capital investors.

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