



Canadian tax alert

2019-2020 federal budget Grants & incentives highlights

April 9, 2019

On Tuesday, March 19, 2019, the Canadian federal government unveiled the 2019-2020 federal budget. Proposed changes to existing government funding programs and some exciting new programs were announced.

Research and development (R&D) programs

Budget 2019 proposes to reform the scientific research and experimental development (SR&ED) tax incentive program by eliminating the income threshold for accessing enhanced SR&ED investment tax credits (ITCs). Other R&D direct funding programs will receive increased funding to advance initiatives in specific industries and in the environment.

SR&ED changes: For taxation years that end on or after March 19, 2019, the government proposes to eliminate the income threshold to determine eligibility for the enhanced SR&ED ITCs. This will ensure continued enhanced support for small and medium-sized innovative businesses that have exceeded the income threshold due to a rapid growth in income or fluctuations in income from year to year. The taxable capital threshold will continue to apply, ensuring that the enhanced rate remains

targeted toward small and medium-sized businesses. Please reach out to your Deloitte advisor to understand the impact of this change to your annual SR&ED claim.

Strategic Innovation Fund: The Strategic Innovation Fund (SIF) will be expanded with additional funding to:

- Give automotive sector firms (car manufacturers and parts suppliers) access to SIF funding to attract and support new investments in zero-emission vehicle manufacturing in Canada; and
- Leverage private sector co-investments to support the activities of the Clean Resource Innovation Network, which will receive funding of \$100 million over four years, starting in 2019–2020.

Strategic Science Fund: The Strategic Science Fund will be established in 2022-2023 to support third-party science and research organizations. The Minister of Science will provide more detail on this fund over the coming months.

Employment programs

Employment programs have been given more than \$865 million across four specific initiatives that have been developed to boost the talent and creativity of Canadian workers and to prepare young Canadians for good jobs.

Youth Employment Strategy: The government will invest \$49.5 million over five years, starting in 2019–2020, to launch a modernized Youth Employment Strategy, including a digitized online portal system to handle the application submissions process.

Student Work Placement Program: The Student Work Placement Program will be expanded to give students in fields outside of science, technology, engineering, and mathematics (STEM) access to work-integrated learning opportunities. The program will receive an additional \$631.2 million in funding over five years, starting in 2019–2020.

Employment and Social Development Canada: An additional \$150 million will be invested over four years, starting in 2020–2021, to create partnerships with innovative businesses, creating an estimated 20,000 additional work-integrated learning opportunities annually.

Global Talent Stream Program: An additional \$35.2 million will be invested over five years, beginning in 2019–2020, with \$7.4 million per year ongoing, to make the current Global Talent Stream Program permanent. This program will continue bringing skilled workers from overseas to Canada, when qualified Canadian workers are unavailable to fill a specific, skilled position.

Telecommunications programs

Programs have been developed to improve the infrastructure of broadband networks and help deliver better connectivity to more communities across the country.

Universal Broadband Fund: The government will establish a new \$1.7 billion national high-speed internet infrastructure program, the Universal Broadband Fund. Being administered over 13 years (starting in 2019-2020), the fund would focus on extending “backbone” internet infrastructure to underserved communities, and “last-mile” infrastructure to individual homes and businesses.

Connect to Innovate: Included in the commitment to the Universal Broadband Fund, the government will top up the Connect to Innovate program, to secure advanced, low-latency Low Earth Orbit satellite capacity. This top up is expected in spring of 2019.

Entrepreneur support

To support small business, Budget 2019 proposes to invest in Futurpreneur Canada, one of Canada’s core programs aimed at developing young entrepreneurs.

Futurpreneur Canada: The government will top up the Futurpreneur program with \$38 million over five years, starting in 2019–2020, to support the work of approximately 1,000 young entrepreneurs annually.

Forestry Programs

Government funding programs focused on the forestry industry will receive \$251.3 million in new funding over three years, starting in 2020–2021. Natural Resources Canada will expand the following existing innovation and diversification programs.

Forest Innovation Program: The government will provide \$91.8 million over three years to support pre-commercial R&D.

Forest Industry Transformation Program: An additional \$82.9 million over three years will be provided to support the industrial commercialization, and adoption, of innovative technologies and processes.

Expanding Market Opportunities Program: The budget provides an additional \$64 million over three years to increase market opportunities for Canadian forest products in offshore markets, and expand wood use in non-residential and mid-rise construction, including within Canada.

Indigenous Forestry Initiative: The budget provides an additional \$12.6 million over three years to support forest-based economic development for Indigenous communities across Canada.

Western Canada

Over one third of Canadians live in British Columbia, Alberta, Saskatchewan and Manitoba and as a result, the government is working with business, industry, academia, Indigenous communities and organizations, and other levels of government, to develop a Western Canada Growth Strategy. Funding is being provided to position Western Canada to prosper from its unique strengths and advantages.

Western Economic Diversification Canada: The government will top up Western Economic Diversification Canada with an additional \$100 million over three years, starting in 2019–2020, to increase its regional programming in western Canada.

Tourism

Canada's tourism sector is an important source of jobs and growth for Canada. To help Canada's tourism industry, funds are available in the budget that would help the sector innovate and grow.

Regional development agencies funding for tourism: The government will provide \$58.5 million over two years, starting in 2019–2020, to the regional development agencies for the creation of a Canadian Experiences Fund for tourism-related infrastructure. The fund would support Canadian businesses and organizations seeking to create, improve or expand tourism-related infrastructure, such as accommodations or local attractions, or new tourism products or experiences. These pan-Canadian investments would focus on five categories:

1. Tourism in rural and remote communities
2. Indigenous tourism
3. Winter tourism
4. Inclusiveness, specifically for the LGBTQ2 community
5. Farm-to-table tourism, which is also known as culinary tourism

Indigenous programs

The government strives to improve the quality of life of First Nations, Inuit and Métis peoples. Budget 2019 proposed over \$245 million to advance self-government and self-determination and to support the priorities of Indigenous communities.

Supporting Indigenous business development:

- **Community Opportunity Readiness Program:** The government will provide \$78.9 million over five years, starting in 2019–2020, with \$15.8 million per year ongoing, to support Indigenous entrepreneurs and economic development.
- **Metis Capital Corporations:** The government will provide \$50 million over five years, starting in 2019–20, to support the start-up and expansion of Métis small and medium-sized enterprises.

Indigenous Growth Fund: The government will provide \$100 million, through the Social Finance Fund and the Business Development Bank of Canada, to support the Indigenous Growth Fund. Further details will be announced in the coming year.

Aboriginal Entrepreneurship Program: The government will provide \$17 million over three years, starting in 2020–2021, to promote the growth of a strong Indigenous business sector in Canada.

To further discuss these grants and incentives, please contact your Deloitte tax advisor or any of the individuals listed in this newsletter.

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