



## Global Investment and Innovation Incentives (Gi<sup>3</sup>)

### 2021-2022 federal and provincial budgets: grants and incentives highlights for businesses

May 7, 2021

Deputy Prime Minister and Minister of Finance, the Honourable Chrystia Freeland, presented Budget 2021 in the House of Commons on April 19, 2021. Additionally, over the past couple of months, most Canadian provincial governments tabled their respective budgets.

This alert provides grants and incentives highlights from the federal budget, categorized by theme, followed by some key proposals from each provincial budget. This serves as a summary only, and is not intended to be an exhaustive list of grants and incentives announcements.

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## 2021 FEDERAL BUDGET HIGHLIGHTS

### CLEAN TECHNOLOGY – GRANTS AND INCENTIVES

To support innovation and industrial transformation, Budget 2021 proposes to invest as follows:

**Strategic Innovation Fund:** An historic investment of \$5 billion over seven years, starting in 2021-22, to the Net Zero Accelerator, which funds innovative decarbonization and clean technology projects. This is added support on top of the \$3 billion over five years committed in December 2020.

**Investments for transformative clean technology projects:** Up to \$1 billion available on a cash basis, over five years, starting in 2021-22, to help draw in private sector investment for large-scale clean technology projects.

**Sustainable Development Technology Canada:** \$750 million over five years, starting in 2021-22, to support pre-commercial clean technologies.

**Investments in Forest Industry Transformation:** \$54.8 million over two years, starting in 2021-22, to Natural Resources Canada, to enhance this program's capacity.

**Advancing carbon capture, utilization, and storage (CCUS) technologies:** \$319 million over seven years, starting in 2021-22, to support research, development, and demonstrations to improve the commercial viability of CCUS technologies.

### CLEAN TECHNOLOGY – TAX CREDITS

Budget 2021 proposes measures so that businesses can compete in the global race for clean solutions, including:

**Growing zero-emission technology manufacturing:** A reduction – by 50% – of the general corporate and small business income tax rates for businesses that manufacture zero-emission technologies. The reductions would go into effect on January 1, 2022, and would be gradually phased out starting January 1, 2029 and eliminated by January 1, 2032.

**Accelerating investment in clean energy technologies:** In 2018, Canada introduced tax incentives to encourage businesses to invest in clean energy generation and energy efficiency equipment. This included a time-limited measure allowing businesses to immediately write off the full cost of investments in certain clean energy technologies.

Budget 2021 proposes to expand the list of eligible equipment, remove certain existing restrictions, and update eligibility criteria such that certain fossil-fuelled and low efficiency waste-fuelled electrical generation equipment will no longer be eligible after 2024.

**Tax incentive for CCUS:** Introduction of an investment tax credit for capital invested in CCUS projects, which will come into effect in 2022. The government intends to move quickly with a 90-day consultation period with stakeholders on the design of the investment tax credit, after which it will announce more details.

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## INNOVATION

Budget 2021 proposes the following investments to help businesses invest, grow, and innovate in Canada.

**Strategic Innovation Fund:** In addition to aforementioned Net Zero Accelerator investment, Budget 2021 proposes \$2.2 billion over seven years, and \$511.4 million ongoing to support innovative projects across the economy – including in the automotive, aerospace, and agricultural sectors. This includes advancing multiple strategic objectives:

- \$1.75 billion over seven years targeted towards aerospace, in addition to the Aerospace Regional Recovery Initiative which is presented later in this document;
- \$1 billion over seven years targeted towards growing Canada’s life sciences and bio-manufacturing sector, restoring lost sector capabilities and enhancing pandemic preparedness.

**Pan-Canadian Artificial Intelligence Strategy:** \$185 million over five years to support Canada’s commercialization of artificial intelligence innovations and research.

**Launch of a National Quantum Strategy:** \$360 million over seven years, starting in 2021-22, to amplify Canada’s significant strength in quantum research and grow quantum-ready technologies, companies, and talent.

**Innovation Superclusters Initiative:** Additional funding of \$60 million over two years, starting in 2021-22, to continue supporting innovative Canadian projects.

## RESEARCH AND DEVELOPMENT

**Expanding the Industrial Research Assistance Program (IRAP):** Budget 2021 proposes to provide \$500 million over five years, starting in 2021-22, and \$100 million per year ongoing, to expand this program and support 2,500 additional innovative small or medium-sized enterprises (SMEs). Budget 2021 also proposes to invest:

- \$75 million over three years to provide IRAP’s high-growth client firms with access to expert intellectual property services;
- \$5.7 million over two years, starting in 2021-22, to provide more businesses with access to IRAP’s Interactive Visits, where firms can access equipment, facilities, and expertise at college-affiliated technology access centres.

In addition, Budget 2021 proposes the following investments to support research and development projects:

**College and Community Innovation Program:** \$46.9 million over two years, starting in 2021-22, to support additional research partnerships between colleges, CEGEPs, polytechnics, and businesses through this program from the Natural Sciences and Engineering Research Council.

**adMare:** \$92 million over four years, starting in 2021-22, to support company creation, scale up, and training activities in the life sciences sector.

**Clinical Trials Fund:** \$250 million over three years, starting in 2021-22, to the Canadian Institutes of Health Research to implement a new Clinical Trials Fund.

**Critical Minerals:** \$36.8 million over three years, starting in 2021-22, with \$10.9 million in remaining amortization, to Natural Resources Canada for federal research and development to advance critical battery mineral processing and refining expertise.

## **AGRICULTURE AND AGRI-FOOD**

Recognizing the essential role that the agricultural and agri-food sectors play in the fight against climate change and supporting their need to adapt to new trade agreements, Budget 2021 proposes the following measures:

**Agricultural Clean Technology Program:** Ensure that this recently expanded \$165.5 million program will:

1. prioritize \$50 million for the purchase of more efficient grain dryers for farmers across Canada;
2. allocate \$10 million over the next two years towards powering farms with clean energy and moving off diesel.

**Agricultural Climate Solutions Program:** An additional \$200 million over two years, starting in 2021-22, to launch immediate, on-farm climate action to accelerate emission reductions by improving nitrogen management, increasing adoption of cover cropping, and normalizing rotational grazing.

**Processor Investment Fund:** To help processors of all supply-managed agricultural products adapt to the Comprehensive Economic and Trade Agreement (CETA) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), Budget 2021 proposes a further \$292.5 million over seven years, starting in 2021-22, for a Processor Investment Fund to support private investment in processing plants.

**Support for jobs in the Canadian wine sector:** \$101 million over two years, starting in 2022-23, to Agriculture and Agri-Food Canada, to implement a program to support wineries in adapting to ongoing and emerging challenges, in line with Canada's trade obligations.

## **COVID-19**

To help businesses hard hit by the COVID-19 pandemic to be able to recover and grow, Budget 2021 proposes to invest in the following programs:

**Mandatory Isolation Support for Temporary Foreign Workers Program:** \$57.6 million in 2021-22 to extend this program through to August 31, 2021.

**Canada Digital Adoption Program:** Launch of the Canada Digital Adoption Program to help SMEs adopt new digital technologies through two streams of support:

- Stream 1 – \$1.4 billion over four years, starting in 2021-22, to help main street businesses expand their customer bases online;
- Stream 2 – \$2.6 billion over four years, starting in 2021-22, to help SMEs finance technology adoption.

## REGIONAL DEVELOPMENT

To support recovery and long-term growth, the government is committed to helping regional economic development.

**Aerospace Regional Recovery Initiative:** Budget 2021 proposes to have regional developmental agencies deliver \$250 million over three years, starting in 2021-22, to support aerospace SMEs in improving productivity, strengthening commercialization, and greening their operations and products.

This is in addition to the \$1.75 billion committed to the Strategic Innovation Fund, providing a combined support of \$2 billion to help the aerospace sector recover.

**Supporting jobs and growth in all communities:** To support business financing through the regional development agencies, Budget 2021 proposes to provide \$700 million over three years, starting in 2021-22.

**Creating a new regional development agency for British Columbia:** Budget 2021 proposes to create a new agency for British Columbia and to provide \$553.1 million over five years, starting in 2021-22, and \$110.6 million ongoing, to support the new agency and British Columbia business projects.

## INDIGENOUS BUSINESS SUPPORT

Recognizing Indigenous businesses need access to support, Budget 2021 proposes to invest in the following programs to ensure they are part of the recovery.

**Aboriginal Entrepreneurship Program:** An investment of \$42 million over three years, starting in 2021-22, to expand the Aboriginal Entrepreneurship Program, which offers direct support to Indigenous-led businesses.

**Indigenous Community Business Fund:** \$117 million in 2021-22 to renew the Indigenous Community Business Fund. This will ensure First Nations, Inuit, and Métis Nation communities can continue to provide services and support jobs for members through community businesses and microbusinesses affected by COVID-19.

## HIRING

To help youth and students build job skills as well as create new opportunities for businesses and young workers, Budget 2021 proposes to invest in the following programs:

**Student Work Placement Program:** \$239.8 million in 2021-22 to support work-integrated learning opportunities for post-secondary students. This would increase the wage subsidy available for employers to 75%, up to \$7,500 per student.

**Canada Summer Jobs (CSJ):** \$371.8 million in new funding for CSJ in 2022-23 to support approximately 75,000 new job placements in the summer of 2022. In total, the CSJ program will support around 220,000 summer jobs over the next two years.

**Youth Employment and Skills Strategy:** \$109.3 million in 2022-23, supporting over 7,000 additional job placements for youth.

**Apprenticeship Service:** \$470 million over three years, beginning in 2021-22, to establish the Apprenticeship Service. It would help 55,000 first-year apprentices in construction and manufacturing Red Seal trades to connect with SME employers. Employers would be eligible to receive up to \$5,000 or \$10,000 per eligible apprenticeship.

**Mitacs:** \$708 million over five years, starting in 2021-22, to create at least 85,000 work-integrated learning placements that offer on-the-job learning and provide businesses with support to develop talent and grow.

## 2021 PROVINCIAL BUDGET HIGHLIGHTS

### British Columbia (April 20, 2021)

**CleanBC:** Additional \$506 million in CleanBC investments, including:

- \$96 million for the CleanBC Program for Industry;
- \$120 million to continue the Climate Action Tax Credit in 2023-24.

**InBC Strategic Investment Fund:** New \$500-million strategic investment fund to help high-potential businesses grow and attract companies to invest in B.C. The fund is expected to be investment ready by fall 2021.

**Centre for Innovation and Clean Energy:** The governments of Canada and British Columbia will provide a combined total of up to \$95 million to establish the Centre for Innovation and Clean Energy to advance the scale-up and commercialization of clean technologies in B.C. and across Canada.

**Increased Employment Incentive Tax Credit:** \$150 million allocated to support the Increased Employment Incentive tax credit for private sector employers that increased their payroll through hiring or compensation increases in the last quarter of 2020.

**Small and Medium Sized Business Recovery Grant Program:** \$195 million in 2021-22 to continue this program. Up to \$30,000 in grant funding is available to support recovery and adapt to COVID-19. This may include diversifying business activities with new services, modifying physical space, offsetting fixed costs, or growing the business by moving online.

**Support for B.C farmers:** \$35 million allocated in 2021-22 to support B.C. farmers in accessing and accommodating temporary foreign workers to support crop harvesting.

**Innovator Skills Initiative program:** \$15 million to expand the Innovator Skills Initiative program that provides up to \$10,000 in funding for businesses to hire a post-secondary student or youth who has completed industry-approved certification or training, into a technology/tech-enabled position.

### Alberta (February 25, 2021)

**Alberta Innovates:** \$15 million in 2021-22 for enhanced accelerator and scale-up programming for entrepreneurs.

**Innovation Employment Grant:** \$166 million to support SMEs investing in research and development across sectors.

**Mitacs International:** Additional \$5 million allocated towards creating internship opportunities.

**Enterprise Fund:** \$10 million to enable Invest Alberta to promote Alberta's attractive business environment and identify and pursue new high-value or high-impact investments.

**Accelerate Fund III:** A \$15 million angel matching fund which provides funding as a first step in preparing for venture capital (VC) funding for early-stage businesses.

**Technology Innovation and Emissions Reduction (TIER):** \$449 million in stimulus funding provided over four years through the TIER system to reduce emissions.

**Alberta Jobs Now Program:** \$136 million to eligible employers to train and hire new employees.

### Saskatchewan (April 6, 2021)

**Agricultural Technology Venture Capital Fund:** \$3 million initial investment (total of \$15 million planned) in the new Agricultural Technology Venture Capital Fund to further global leadership in the Agtech sector.

**Saskatchewan Technology Start-up Incentive (STSI):** This incentive, which offers a non-refundable 45% tax credit to Saskatchewan investors, will be extended for five years through to 2026.

### Manitoba (April 7, 2021)

**Interactive Digital Media Tax Credit:** Enhanced as of the 2021 tax year by eliminating the tax credit's expiration date and expanding its eligibility to allow add-on activities, such as downloadable content, ongoing maintenance and updates, and data management and analysis that are complementary to the main products being developed.

**Small Business Venture Capital Tax Credit:** Enhancements include increasing an investor's maximum eligible investment from \$450,000 to \$500,000 and increasing the maximum tax credit claimable against Manitoba income tax in a given year from \$67,500 to \$120,000.

### Ontario (March 24, 2021)

**Invest Ontario Fund:** \$400 million over four years to create the Invest Ontario Fund, which will encourage investments in the key sectors of advanced manufacturing, technology and life sciences.

**Ontario Vehicle Innovation Network (OVIN):** \$56.4 million over the next four years to create OVIN and accelerate the development of next generation electric, connected and autonomous vehicle and mobility technologies. The program will encourage innovation and collaboration through partnerships between SMEs, academia, the auto industry and battery sector, including critical minerals development in Ontario's North.

**Regional Opportunities Investment Tax Credit:** Budget proposes to temporarily double this refundable corporate income tax credit available to Canadian-controlled private corporations in defined regions from 10% to 20% for eligible expenditures on assets that become available for use in the period

beginning March 24, 2021 and ending before January 1, 2023. This would double tax credit support from a maximum of \$45,000 to a maximum of \$90,000 in a year. **Note: requires legislative approval.**

### Quebec (March 25, 2021)

**Forest sector development:** \$92.8 million for various initiatives to further develop the forest sector, as well as \$15 million over two years to allow the forest industry to develop new markets and position itself advantageously.

**Rollout of Quebec's first green hydrogen and bioenergy strategy:** \$20 million in 2021-22 for first initiatives to lay the groundwork to guide future government action in the use and production of green hydrogen and bioenergy sources to replace fossil fuels.

**Quebec Cybersecurity Innovation Program:** \$27.5 million to be awarded to Prompt-Quebec in 2020-2021 to extend and enhance the support provided to projects submitted as part of the Quebec Cybersecurity Innovation Program.

### New Brunswick (March 16, 2021)

**Climate Change Fund:** \$36 million in 2021-22 for climate initiatives aimed at reducing greenhouse gas emissions.

**Modular nuclear reactor sector:** \$20 million multi-year strategic investment to support the development of the small modular nuclear reactor sector.

### Nova Scotia (March 25, 2021)

**Agriculture Clean Technology Program:** \$5 million over two years to support farmers and food processors in increasing Nova Scotia's year-round food production, reducing emissions and reducing the amount of food imported.

**Green Fund:** \$26 million for new Green Fund programs to address climate change, including:

- **Small Business and Not-For-Profit Energy Solutions Program:** \$3.5 million over three years towards incentives for energy efficiency upgrades;
- **Clean Leadership Program:** \$2 million over five years to support youth interns to work on climate change projects.

#### Investments in sectors that support rural economies:

- **Nova Scotia Quality Wine Strategy:** \$1.3 million for the first year of this new five-year strategy;
- **Aquaculture Expansion Strategy:** \$1.5 million for the first year of this new five-year strategy.

### Prince Edward Island (March 27, 2021)

**Building a clean technology sector:** Support for PEI-based companies in developing and deploying competitive clean technology solutions as follows:

- \$50 million loan portfolio created to assist new and existing businesses to adopt and develop clean technology solutions and provide equity investment grants;

- \$10 million, five-year fund launched in 2021 for research and development in clean technology;
- Clean Tech Challenge Fund created with an initial investment of \$250,000 in 2021.

## **How can Deloitte help?**

Deloitte's Grants & Incentives Centre of Excellence can help you understand how your business might access government funding. If you have any questions, or to discuss any of the above, please reach out to your Deloitte advisor or any of the individuals noted in this alert.

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