

Support for risk taking and entrepreneurship

Small businesses are a key driver of Canada's economy, accounting for 98 percent of all businesses and more than 70 percent of all private sector jobs. The Government of Canada is committed to providing comprehensive and effective support to help businesses grow, invest and create additional good well-paying jobs.

Competitive corporate income tax rates

Canada's low corporate taxes encourage new capital investment in businesses. These investments—whether in better machinery, efficient technology or more new hires—make businesses more productive and competitive. Investment supports economic growth and helps create jobs and increase wages.

- The Government is announcing its intention to reduce the small business tax rate to 10 percent effective January 1, 2018, and to 9 percent effective January 1, 2019. The small business tax rate applies to the first \$500,000 of active business income. This will leave up to an additional \$7,500 per year in the hands of small business entrepreneurs and innovators to help them do what they do best.
- The combined federal-provincial-territorial average income tax rate for small business will be 12.9 percent, the lowest in the G7 and fourth lowest among members of the OECD.
- Canada's combined general corporate income tax rate is 26.7 percent, which is about 12 percentage points lower than that of our largest trading partner, the United States.

Partial inclusion of capital gains

- In order to provide incentives to save and invest, only 50 percent of capital gains are included in income for tax purposes.

Substantial Government of Canada tax system incentives

- **The Lifetime Capital Gains Exemption (LCGE)** provides a tax exemption for capital gains realized by individuals on the disposition of qualified small business shares (subject to a lifetime limit of \$835,716 in 2017, indexed annually to inflation) and qualified farm or fishing property (subject to a lifetime limit of \$1 million). The LCGE is intended to increase investment in small business shares and farm and fishing property.
- **The Accelerated Capital Cost Allowance (ACCA)** allows income tax deductions for capital costs according to specified rates—the capital cost allowance rates—that are generally set to align with the useful life of the business asset. An ACCA allows capital costs to be deducted more rapidly than what would normally be prescribed under this useful life principle, which helps reduce the cost of expanding the business.



- **The Scientific Research and Experimental Development (SR&ED) Tax Incentive Program** provides approximately \$2.7 billion in tax assistance to Canadian businesses (2016) and is the single largest federal program supporting business research and development (R&D) in all industrial sectors in Canada. It is among the most generous tax incentives for R&D in the industrialized world. The credit is provided at a general rate of 15 percent on eligible SR&ED expenditures. Small and medium-sized Canadian-controlled private corporations (CCPC) have access to an enhanced investment tax credit of 35 percent (refundable).
- **The Atlantic Investment Tax Credit** delivers more than \$200 million in tax assistance (2016) through an investment tax credit of 10 percent of qualifying acquisitions of new buildings, machinery and equipment, and prescribed energy and conservation property used primarily in qualified activities in the Atlantic provinces, the Gaspé Peninsula and their associated offshore regions. Where the credit exceeds the amount of tax payable in a year, 40 percent of the credit is refundable for small CCPCs and individuals.
- **The deduction of allowable business investment losses** allows a portion of capital losses from the disposition of shares or debt of a small business corporation to be used to offset other income (generally, capital losses can only be used to offset capital gains), in recognition of the risks associated with investments in small businesses.
- **Rollovers of investments in small business** improve access to capital for small business corporations by permitting investors to defer the taxation of capital gains on qualified small business shares if the proceeds of disposition are reinvested in shares of another qualified small business within a specified period.

Direct Government of Canada support

Federal support for small and medium-sized enterprises (SME) is delivered through organizations including:

- Innovation, Science and Economic Development Canada;
- The National Research Council of Canada's Industrial Research Assistance Program;
- Global Affairs Canada's Trade Commissioner Service;
- Export Development Canada (EDC);
- Regional Development Agencies; and
- The Business Development Bank of Canada (BDC), which serves 49,000 Canadian SMEs and has made more than \$29 billion in commitments.

Recent new direct Government of Canada support includes:

- \$400 million being made available through the BDC over three years, beginning in 2017–18, for a new Venture Capital Catalyst Initiative to increase the availability of late stage venture capital for Canadian firms.
- Nearly \$1.4 billion in new financing to be delivered by EDC and the BDC, starting in 2017–18, to help Canada's clean technology firms grow and expand.
- An additional \$50 million in funding from the BDC to women-led technology firms as part of its efforts to support women entrepreneurs and women-owned businesses.

- \$950 million over five years, starting in 2017–18, to accelerate the growth and development of a small number of business-led superclusters in highly innovative industries: advanced manufacturing, agri-food, clean resources, clean technology, digital technology, health/biosciences, infrastructure and transportation.
- The new \$1.26-billion five-year Strategic Innovation Fund to attract and support new, high-quality business investments—including from SMEs—through a simpler application process, more timely processing and more responsive assistance.
- \$221 million during a five-year period, starting in 2017–18, for Mitacs, a not-for-profit that builds partnerships between industry and academic institutions to help achieve its goal of providing 10,000 work-integrated learning placements for Canadian post-secondary students and graduates each year.
- Up to \$50 million, starting in 2017–18, to launch a new procurement program, Innovative Solutions Canada, to support early-stage R&D, late-stage prototypes, and other goods and services from Canadian innovators and entrepreneurs. A portion of funding from federal departments and agencies will be allocated towards the program.
- The Accelerated Growth Service to support growth through coordinating service delivery, bringing together key supports for high-impact SMEs such as financing solutions, advisory services, and export and innovation support from the BDC, EDC, National Research Council's Industrial Research Assistance Program, Innovation, Science and Economic Development Canada, Global Affairs Canada's Trade Commissioner Service, and the Regional Development Agencies.
- Funding of \$14 million over two years for Futurpreneur Canada to support the next generation of entrepreneurs through mentorship and financing.
- Funding of up to \$50 million over five years from CanExport in direct financial support to SMEs in Canada seeking to develop new export opportunities.

Improved trade opportunities

The Canadian Free Trade Agreement (CFTA), effective as of July 1, 2017, provides more opportunities for Canadian businesses to innovate and create jobs by:

- improving the flow of goods, services and investments across provincial and territorial borders, giving consumers more choice and lower prices;
- establishing a process to address regulatory differences across jurisdictions that act as a barrier to trade and stifle the growth of Canadian businesses; and
- allowing licensed professionals with Canadian credentials to work in different parts of the country.

The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) provides Canadian businesses access to the world's second largest economy, as well as the world's second largest import market for goods.

Access to a highly skilled workforce

Canadian workers are among the most highly educated and highly skilled workers in the world. The goods they produce and the services they provide are respected the world over. To grow Canadian businesses, create more Canadian jobs and compete among the best in the world, we must also attract the best minds in the world. The Government of Canada is making this happen through various programs and strategies aimed at helping Canadian businesses attract the talent they need to succeed, such as:

- The Global Skills Strategy, which provides businesses in Canada with a faster way to bring in global talent in order to scale up and grow—creating better jobs for more Canadians
- The ISED-funded Mitacs programs, which are designed to:
 - increase industry-academia research collaboration;
 - boost investment in industrial research;
 - improve the employability of its interns; and
 - encourage highly qualified graduates to remain in Canada.
- The Global Talent Stream, which helps innovative companies recruit the highly specialized and skilled global talent they need to expand by providing faster and more predictable application processing