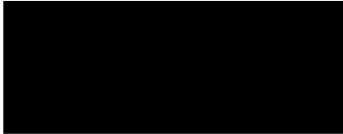


April 2, 2024



Dear :

Re: Your request for access to information under Part II of the *Access to Information and Protection of Privacy Act* [Our File #: FIN-24-2024]

On March 3, 2024, the Department of Finance received your access to information request for the following:

“Information Note -- Provincial Tax Incentives for Innovation in Canada -- January 28, 2024.”

The Department of Finance wishes to advise that access to the above requested information has been granted and is provided below.

Please be advised that you may ask the Information and Privacy Commissioner to review the processing of your access request, as set out in section 42 of the **Access to Information and Protection of Privacy Act, 2015** (the “Act”).

A request to the Commissioner must be made in writing within 15 business days of the date of this letter or within a longer period that may be allowed by the Commissioner. The address and contact information of the Information and Privacy Commissioner is as follows:

Office of the Information and Privacy Commissioner
2 Canada Drive
P. O. Box 13004, Stn. A
St. John’s, NL. A1B 3V8

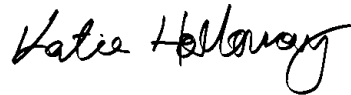
Telephone: (709) 729-6309
Toll-Free: 1-877-729-6309
Facsimile: (709) 729-6500

You may also appeal directly to the Supreme Court Trial Division within 15 business days after you receive the decision of the public body, pursuant to section 52 of the Act.

Please be advised that this response will be published following a 72-hour period after the response is sent electronically to you or five business days in the case where records are mailed to you. It is the goal to have the response posted to the Completed Access to Information Requests website within one business day following the applicable period of time. Please note that requests for personal information will not be posted online.

If you have any further questions, please feel free to contact the undersigned by email at katieholloway@gov.nl.ca.

Sincerely,

A handwritten signature in black ink that reads "Katie Holloway". The signature is written in a cursive, flowing style.

Katie Holloway
ATIPP Coordinator
Department of Finance

Information Note
Department of Finance

Title: Provincial Tax Incentives for Innovation in Canada

Information Required:

- Comparison of tax-based innovation incentives provided by NL relative to those offered by other provinces. This does not include direct program support for innovation.

Background:

- NL offers a Scientific Research and Experimental Development Tax Credit (SR&ED) to businesses that carry out SR&ED from a permanent establishment in the province.
- The SR&ED tax credit is a 15% refundable credit based on expenditures eligible for the federal SR&ED tax credit.
- Other tax credits may impact innovation. Examples in NL include the Interactive Digital Media Tax Credit, Green Technology Tax Credit and Manufacturing and Processing Investment Tax Credit.

Analysis:

- Manitoba, New Brunswick, Nova Scotia, and Yukon provide a provincial SR&ED tax credit based on the federal credit at the same 15% rate as NL.
- Alberta has an Innovation Employment Grant of 8% of SR&ED spending up to its average SR&ED spending but increases to 20% for amounts over the average. The cap on SR&ED spending is \$4 million.
- Ontario has a credit of 8% of SR&ED spending capped at \$3 million spending but this increases to 20% for amounts paid directly to specified research institutes.
- Quebec provides an R&D credit of 14% for larger corporations and 30% for smaller corporations. Quebec also provides a tax reduction on a “patent box”, or income earned which is attributable to a licensed, patented or copyright protected property.
- Saskatchewan and BC offer 10% SR&ED tax credits with spending caps of \$3 million and \$2 million respectively. Each of those credits is 50% refundable. To incentivize commercialization of SR&ED-funded innovation, Saskatchewan also offers a tax reduction for up to 10 years for income attributable to prior SR&ED spending.
- Northwest Territories, Nunavut and Prince Edward Island do not have SR&ED credits.

Summary:

- Some provinces offer higher SR&ED rates, but have a spending limit or other limiting features.
- Other provinces have lower SR&ED rates or no tax credit for SR&ED spending.
- Overall, the NL SR&ED tax credit is competitive with the other provinces.

Prepared/Approved by: Mark Hatfield/Jay Griffin/Doug Trask

Date: January 28, 2024

Appendix A

Tax Credits & Other Tax Incentives by Province			
Province	Credit	Rate	Comment
Alberta	Innovation Employment Grant	8%	Grant may be to 20% for SR&ED spending above a company's 7-year average SR&ED spending. Capped at \$4 million in spending.
British Columbia	BC SR&ED	10%	50% of credit is refundable on up to \$3 million in spending for Canadian Controlled private corporations, otherwise non-refundable.
Manitoba	Manitoba SR&ED	15%	Federal SR&ED based - 50% refundable unless to qualifying research institute
New Brunswick	NB SR&ED	15%	Federal SR&ED based refundable
Newfoundland and Labrador	NL SR&ED	15%	Federal SR&ED based refundable
Nova Scotia	NS R&D Tax Credit	15%	Federal SR&ED based refundable
Ontario	Innovation Tax Credit (ITC)	8%	The Ontario ITC is refundable and is available on eligible spending up to \$3 million but reduced based on paid up capital for larger businesses. OBRITC provides a credit of up to 20% on SR&ED payments to specified research institutes. \$20 million maximum spending for associated groups.
	Ontario Business Research Institute Tax Credit (OBRITC)	20%	
Quebec	Research and Development Credit	14-30%	Corporations with less than \$50million assets get 30%, rate varies between \$50-\$75 million in assets to 14% for larger corporations
	Incentive deduction for the Commercialization of Innovations (IDCI)	2%-9.5% tax rate reduction	Tax rate reduction on "net income" attributable to qualified intellectual property (invention, computer program or plant variety, protected by patented, copyright or certificate of rights).
Saskatchewan	SK SR&ED	10%	10% of the first \$1 million in spending is refundable
	Saskatchewan Commercial Innovation Incentive (SCII)	6% tax rate reduction	Tax rate reduction of 6% for up to 10 years on "net income" attributable to SR&ED expenditures on qualifying IP/goods, services and processes

Yukon	YK SR&ED	15%	Federal SR&ED based refundable, an additional 5% available on SR&ED payments to Yukon University
Nunavut	No Tax Credit available		
Northwest Territories	No Tax Credit available		
Prince Edward Island	No Tax Credit available		