



RESEARCH & INNOVATION INVESTMENT SUMMARY

Prepared by: Robert Merson, March 21, 2013

Investing in jobs and manufacturing was a key theme of the Canadian federal budget presented March 21, 2013. Continued investment in research and innovation was also highlighted as an important element of the budget.

Existing funding programs received investment; however the investments are in line with sustained funding levels from previous years, with no significant investments in new funds. These investments include: a total of \$37M across the tri-councils (which has been the same commitment for several years now); \$165M for Genome Canada in 2014/15; and \$225M for Canada Foundation for Innovation. The National Research Council (NRC) was provided with an additional \$121M over 2 years to support innovative businesses as the NRC continues to evolve to a new model for partnership with industry.

Be aware however, that there is also significant investment in programs to ensure that Canadians are fully compliant with the tax system. Investments in the SR&ED program include funds to support first-time claimants (\$5M over 2 years) and for reviewing applications deemed to be “high-risk” for non-compliance (\$15M over 2 years).

Further insights into the \$400M venture capital investment were presented, however the details on how the funds will be deployed are still vague.

Highlights from the budget are included below.

Excerpts on Innovation from the Canadian Federal Budget 2013

Compiled directly from budget (Source: Ministry of Finance, Budget 2013)

Supporting Advanced Research

- \$37 million in new annual support for research partnerships with industry through the granting councils. Breakdown for Tri-Council is similar to previous years with a few new highlights for where the funds will be spent:
 - \$15 million per year to the Natural Sciences and Engineering Research Council, including \$12 million to enhance the College and Community Innovation Program.
 - \$15 million per year for the Canadian Institutes of Health Research’s Strategy for Patient-Oriented Research.
 - \$7 million per year for the Social Sciences and Humanities Research Council. This funding will in part support research related to the labour market participation of persons with disabilities
- \$165 million in multi-year support for genomics research through Genome Canada, including new large-scale research competitions and participation by Canadian researchers in national and international partnership initiatives.
- \$225 million to be used by the Canada Foundation for Innovation to support advanced research infrastructure priorities and sustain the long-term operations of the Foundation.



Pursuing a New Approach to Supporting Business Innovation

- \$121 million over two years to invest in the strategic focus of the National Research Council to help the growth of innovative businesses in Canada.
- \$20 million over three years to help small and medium-sized enterprises access research and business development services at universities, colleges and other non-profit research institutions of their choice (delivered through IRAP).
- \$325 million over eight years to Sustainable Development Technology Canada to continue support for the development and demonstration of new, clean technologies.
- \$20 million over two years to the Canada Revenue Agency to improve the predictability and enhance enforcement of the Scientific Research and Experimental Development tax incentive program.
 - New funding of \$5 million over two years will be provided to the Canada Revenue Agency to conduct more direct outreach with first-time SR&ED program claimants. A new in-person service will be implemented to ensure that new claimants have access to information about the SR&ED program's eligibility requirements, the required supporting documentation, and any other information needed to facilitate the filing of their SR&ED program claim. This new in-person service will help new claimants to better understand the SR&ED program parameters, and contribute to reducing taxpayers' reliance on third-party tax preparers. The Canada Revenue Agency will also develop new web-based seminars that will be available to the SR&ED community at no cost.
 - The Canada Revenue Agency will also receive new funding of \$15 million over two years to focus more resources on reviews of SR&ED program claims where the risk of non-compliance is perceived to be high and eligibility for the SR&ED program unlikely. The Canada Revenue Agency will also more frequently apply penalties for false statements or omissions, where appropriate. In addition, in order to enable better risk assessment, SR&ED program claim forms will be revised to require more detailed information. To enforce this new requirement, Economic Action Plan 2013 proposes that a new penalty be applied in instances where the new required information is missing, incomplete or inaccurate. These new initiatives will help protect the integrity of the SR&ED tax incentive program.

Enhancing Canada's Venture Capital System

- \$60 million over five years to help outstanding and high-potential incubator and accelerator organizations expand their services to entrepreneurs.
- \$100 million through the Business Development Bank of Canada to invest in firms graduating from business accelerators.
- Promoting an entrepreneurial culture in Canada through new Entrepreneurship Awards.
- \$18 million over two years to the Canadian Youth Business Foundation to help young entrepreneurs grow their firms.



The \$400M of Venture Capital announced in the 2012 budget was also highlighted, noting that the Venture Capital Action Plan is making available:

- \$250 million to establish new, large private sector-led national funds of funds (a funds of funds portfolio consists of investments in several venture capital funds) in partnership with institutional and corporate strategic investors, as well as interested provinces.
- Up to \$100 million to recapitalize existing large private sector-led funds of funds, in partnership with willing provinces.
- An aggregate investment of up to \$50 million in three to five existing high-performing venture capital funds in Canada.
- Additional resources to continue developing a robust venture capital system and a strong entrepreneurial culture in Canada.

The budget also proposes to phase out the federal Labour-Sponsored Venture Capital Corporations (LSVCC) tax credit by 2017. The phase-out of the tax credit aligns with the increase in venture capital investments resulting from the implementation of the \$400-million Venture Capital Action Plan. The Government's new approach will better target resources to the venture capital industry in order to create a sustainable and efficient private sector-led venture capital sector.

For additional information about funding for innovation in Canada, contact:

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Summary Investment Table (3.4.1 from Budget)

Table 3.4.1

Investing in World-Class Research and Innovation

millions of dollars

	2013–14	2014–15	Total
Supporting Advanced Research			
Strengthening Research Partnerships Between Post-Secondary Institutions and Industry	37	37	74
Reinforcing Canadian Research Capacity in Genomics		165	165
Supporting Atomic Energy of Canada Limited	137	4	141
Subtotal—Supporting Advanced Research	174	206	380
Pursuing a New Approach to Supporting Business Innovation			
Fostering Business Innovation			
Transforming the National Research Council	61	60	121
Supporting the Commercialization of Research by Small and Medium-Sized Enterprises	3	8	10
Sustainable Development Technology Canada	1	12	13
Strengthening the Impact of the Scientific Research and Experimental Development Tax Incentive Program	10	9	20
Subtotal—Pursuing a New Approach to Supporting Business Innovation	75	88	163
Enhancing Canada's Venture Capital System			
Enhancing Innovation Hubs That Foster Entrepreneurial Talent and Ideas	9	17	26
Supporting Youth Entrepreneurship	9	9	18
Subtotal—Enhancing Canada's Venture Capital System	18	26	44
Total—Investing in World-Class Research and Innovation	267	320	587
Less funds existing in the fiscal framework	61	72	133
Net fiscal cost	205	249	454

Note: Totals may not add due to rounding.