

# Venture Capital Tax Credit Program

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**Investment  
Capital Branch**

# Tax Credit Program Basics

## Program Goal

Stimulate investment in BC's small businesses by helping off-set the risk of investing in risky businesses.

## What differentiates VC from other types of investment?

Venture Capital can be characterised as a volatile and high risk proposition.

## What makes venture capital investment high risk?

Companies are usually research focussed, many have no tangible assets, no products and no revenue.

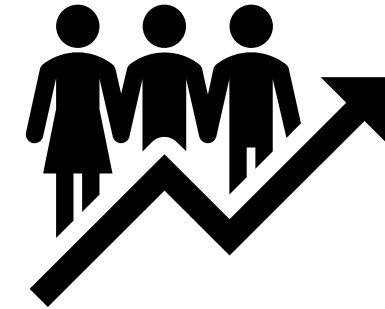
## What makes venture capital attractive?

Exit events: acquisition or initial public offering.



# Venture Capital Tax Credit Program

Province offers a 30% tax credit to investors who invest in eligible businesses



Businesses must

- Registered in the program
- Issued with an Equity Authorization
- Issue equity shares for cash



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# Eligible Business Corporation (EBC) Eligibility Criteria

Incorporated and  
registered to operate  
in BC

No more than 100  
employees

\$25,000 in equity  
capital

Permanent place of  
business in BC

75% of wages &  
salaries to employees  
in BC

80% of assets in BC

Substantially  
engaged in an  
eligible activity



# Eligible Business Activities



**Manufacturing & Processing**



**R&D of a Proprietary Technology**



**Destination Tourism**



**Interactive Digital Media**



**Clean Technology**



**Advanced Commercialization**



**Community Diversification**



**Scale Up**



# Prohibited Activities



**Financial Services**



**Retail & Gift Stores**



**Real Estate Development**



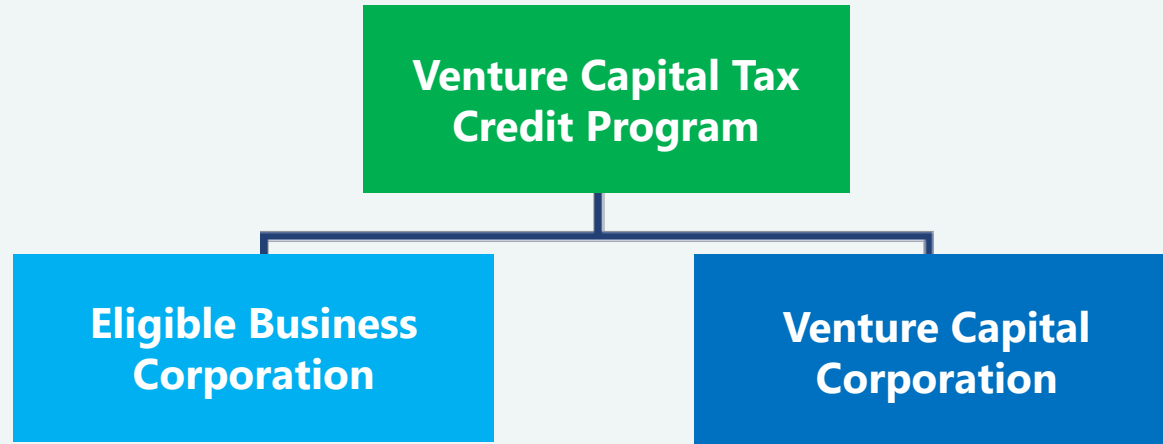
**Resource Extraction**



**Restaurants & Bars**



# Program Structure



# Eligible Business Corporation (EBC)

## Direct Investment Model

- Investors purchase shares directly from an EBC
- 5-year hold period
- EBC can raise up to \$10M





# Venture Capital Corporation (VCC)

## Indirect Investment Model

Investors invests in VCC

- Investors purchase VCC shares
- VCC invests proceeds in eligible small businesses (ESBs)
- VCC must hold investment for 5 years
- VCCs can invest up to \$10M in a single ESB



# Features of SBVC Tax Credit

- Individual or corporate investors in BC
- Tax credit for individuals is fully refundable - up to \$120,000 per year
- Tax credit for corporations is unlimited – non-refundable
- Four year carry forward



# Claiming Tax Credits

- Registrants claim tax credits on behalf of their investors
- Program issues Tax Credit Certificates
- Investor claims tax credit when filing tax return
- CRA will send refund cheque

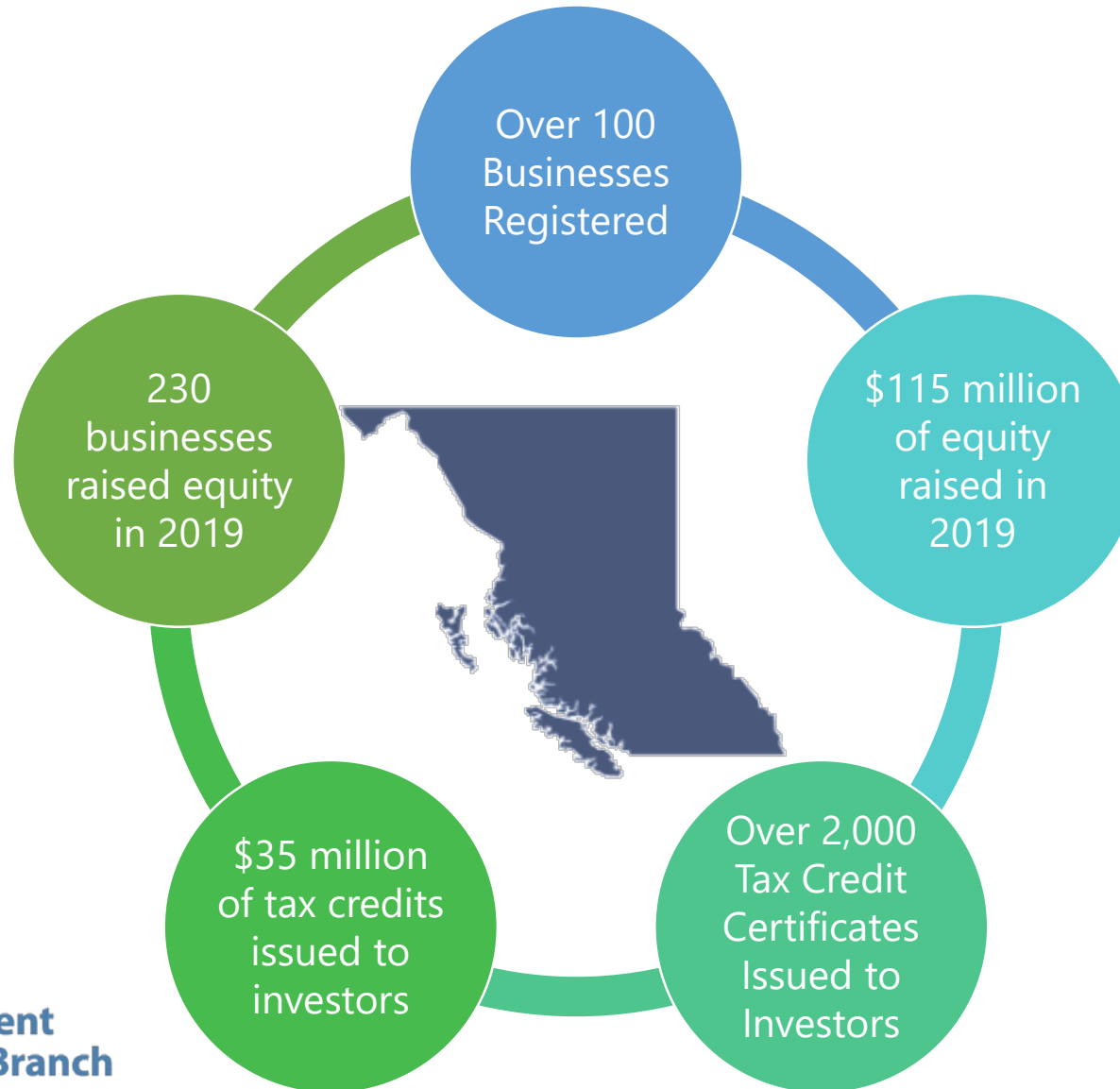


# Ongoing Compliance

- Ensure the Province receives value for tax credits issued
- EBC investors hold shares for 5 years
- EBCs must be in a qualifying activity for 5 years
- Submit an Annual Return
- Non-compliance may result in repaying tax credits



# Program Statistics - 2019



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