Venture Capital Tax Credit Program
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
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
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 invest 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

- Over 100 Businesses Registered
- $115 million of equity raised in 2019
- Over 2,000 Tax Credit Certificates Issued to Investors
- $35 million of tax credits issued to investors
- 230 businesses raised equity in 2019
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