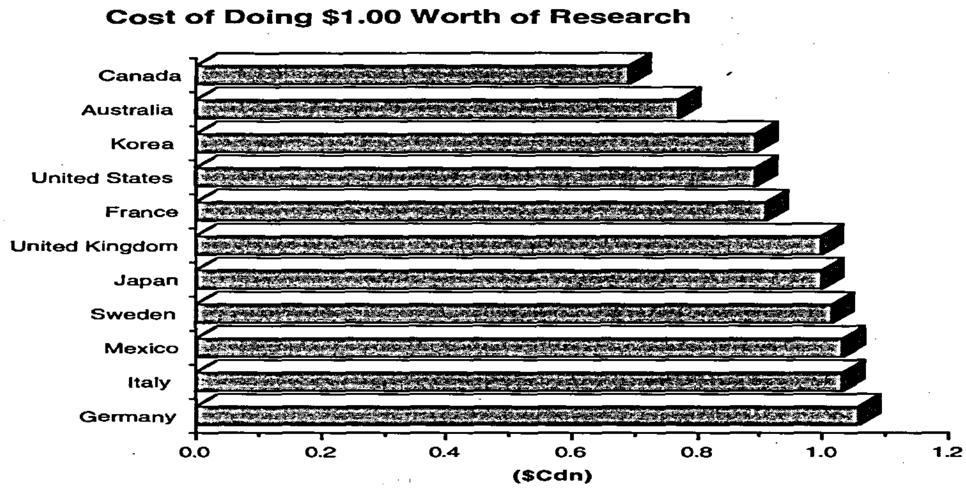

Source: The Conference Board of Canada, June 1994

The Conference Board of Canada determined that the after-tax cost of one Canadian dollar of research was C$0.6, compared with C$0.9 in the United States, C$1.05 in Japan and C$1.1 in Germany.

Similarly, in 1995, the International Information and Communications Tax Network of KPMG Management Consulting further confirmed the data obtained by the Conference Board of Canada study, when it reported in its 1995 edition of *Tax Treatment of R&D Expen*ses that the after-tax cost of conducting R&D in Canada is lower than almost anywhere else. KPMG's analysis determined that the best place for any company to perform research and development is in Canada, because Canadian tax incentives ranked first among the 23 industrialized nations that they examined.

Canada offers significant incentives to R&D performers:

- ❑ Immediate write-offs for current and capital R&D expenditures made in Canada or, at the taxpayer's option, deferral of claiming such expenditures to a future year.

- ❑ Federal investment tax credits on current and capital expenditures (excluding buildings) of 20 per cent. The credit is increased to 35 per cent for small Canadian-controlled private companies (CCPCs) -companies with a minimum of 50 per cent Canadian ownership, whose shares are not traded on a stock exchange, and who are not controlled by any combination of non-resident or public corporations.

- ❑ For small CCPCs (those with total taxable income less than or equal to $200 000) the applicable tax credit is 35 per cent on the first $2 million of qualifying R&D expenditures. The tax credit is fully refundable to the corporation, to the extent that the credits are not used to offset federal taxes payable.