

Innovation Powerhouse

Canada is one of the best places in the world for research and development. Global corporations undertaking their research projects in Canada can expect one of the most generous tax treatments for their research expenditures among advanced economies. This favourable tax treatment is complemented by the availability of hundreds of research institutions, world-class universities and tens of thousands of scientists and engineers doing cutting-edge research across the country.

CANADA IS AN INNOVATION NATION. Inventions and discoveries made in Canada affect the lives of people around the world every day. Whether it is technology used in making phone calls or discoveries such as insulin, Canadian research is on the very cutting edge of human knowledge.

Canada invests more in higher-education R&D as a share of the economy than does any other G7 country. Canadian cities are leading international innovation centres. According to the fDi Benchmark database from fDi Intelligence, Vancouver is #1 in North America for patents filed for fuel cells. Toronto is #3 in North America for patents filed in the automotive sector. In the life sciences sector, Montréal, Vancouver and Toronto consistently rank among the Top 10 cities in North America for life sciences patent filings.¹

According to the World Intellectual Property Organization (WIPO), Canada is ranked #8 in the world when it comes to the

overall number of patents in force. On a per-capita basis, Canada ranks #3 in the G7 for patent filings related to IT methods for management and #4 in the G7 for patent filings related to civil engineering. Canada also ranks #1 in the G7 for the number of scientific articles published per capita.²

R&D Tax Incentives in Canada Among the Best in the G7

At the heart of Canadian innovation is favourable tax treatment for R&D expenditures. Canada's Scientific Research & Experimental Development (SR&ED) tax credit program provides one of the most lucrative R&D tax credits and accelerated deductions for R&D expenditures in the world. Eligible expenses include salaries, overhead, capital expenditures, materials and sub-contracted R&D services. In 2009, SR&ED provided over \$4 billion in tax assistance.

The SR&ED tax credit program offers a 20% non-refundable tax credit for qualifying research expenditures over \$3 million, and a 35% tax credit for qualifying research expenditures under \$3 million.

Provincial governments in Canada top up these generous tax credits with credits of their own. The net benefit of these R&D tax credits amounts to investors getting back up to 60% of their qualifying R&D expenditures undertaken in Canada.

Put together, Canadian tax incentives are ranked #2 in the G7, with a full 19.4% advantage over R&D tax incentives offered in the U.S.

Lucrative R&D Funding by Governments in Canada

Canada also has lucrative multi-billion-dollar funding mechanisms available for R&D undertaken in the country. In response

NRC Biotechnology Research Institute in Montréal delivers leading-edge science and technology solutions to its clients. Using NRC's multi-vessel bioreactor system, researchers investigate the applications of groundbreaking biotechnologies, which includes development of biopharmaceuticals.

