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International firms operating major research facilities in Canada include:

Amdahl, AT&T Global Information Solutions, Allied-Signal Canada Inc., Asea Brown Boveri Inc., Astra Pharma, Canadian Marconi Co., Connaught Laboratories, Digital Equipment of Canada Ltd., DuPont Canada, Ericsson Communications Inc., General Motors of Canada, Glaxo Canada Ltd., Hewlett-Packard (Canada) Ltd., IBM Canada Ltd., Marion Merrell Dow (Canada) Inc., Merck Frosst Canada Inc., Pratt & Whitney Canada Inc., Siemens Group and Xerox Canada.

- In Canada, expenditures on capital equipment are eligible for tax credits where these are to be used at least 90 percent for R&D. Where equipment will be used primarily for R&D (between 50 percent and 90 percent) costs are eligible for a reduced credit.

In the U.S., expenditures on capital equipment do not qualify for the tax credit.

- Travel inside the country related to R&D activities qualifies for Canada's tax credit. Travel outside the country qualifies only when its purpose is to attend R&D-related conferences or seminars.

In the U.S. travel costs do not qualify.

- Costs incurred in adapting a product for the specific needs of a customer, in making style changes or in product improvement will qualify in Canada if the work entails technical risk, innovation and uncertainty.

- Benefits for R&D employees, along with incremental overhead and general administrative costs, may be eligible for the tax credit in Canada. Taxpayers may use a "proxy amount", essentially equal to 65 percent of R&D wage payments, to represent these costs. [Salaries paid to certain shareholders may be partially excluded.]

- Leasing costs of equipment used in R&D activities qualify for the Canadian tax credit, though restrictions can apply.
- Research funded by grants or contracts, or otherwise receiving outside support, does not qualify for the tax credit in the U.S.. In Canada, research carried out under contract does qualify if the payments are made by foreign parties who are not carrying on business in Canada. This provision gives Canadian researchers a significant cost advantage.
- Compensation paid to employees exercising stock options may qualify for the tax credit in the U.S., but may not always in Canada.

After-tax cost comparisons

The table appearing on page 4 shows the after-tax cost of a \$1 million expenditure on R&D in various Canadian and U.S. jurisdictions.

They indicate that for small and large companies, it is often less costly, after tax, to carry out R&D anywhere in Canada than in the U.S.. Exceptions can occur, where income tax rates and the R&D incentives offered by a state are sufficiently advantageous compared to the province under study.

In the case of small companies, the table shows that it is less costly, after tax, to spend

\$1 million on qualified R&D in Quebec than anywhere else in Canada or the U.S.. Quebec's after-tax advantage depends on the role salaries and wages play in total R&D expenditures.

The figures are illustrative only, indicating the tax savings available to a large company and a small company.

Non-Tax Incentives in Canada

Targeted grant and assistance programs in Canada support R&D in specific industrial sectors or geographic regions. In addition, a number of programs are specifically designed to encourage industry-based R&D consortia.

Governments in Canada offer an assortment of grants, subsidies and low-interest loans to encourage R&D.

Legislative environment

In the U.S., incentives are subject to periodic Congressional reviews, each time providing an opportunity to change R&D benefits.

In Canada, R&D policy has been relatively stable since 1985. Governments in Canada are genuinely committed to encouraging R&D through tax incentives and industrial and regional policies. In its March, 1996 budget, the federal government reaffirmed its commitment to the R&D program. ■

For information about investment opportunities in Canada:**Here are your points of contact**

Location	Officer	Phone	Fax
Atlanta	Mr. Jean-Pierre Petit	404-532-2000	404-532-2050
Boston	Ms. Alison Tait	617-262-3760	617-262-3415
Buffalo	Mr. Léo Leduc	716-858-9500	716-852-4340
Chicago	Mr. Doug Bieber	312-616-1860	312-616-1877
Dallas	Ms. Céline Fittes	214-922-9806	214-922-9815
Detroit	Mr. John Bufton	313-567-2340	313-567-2164
Los Angeles	Mr. Peter McLachlan	213-346-2700	213-620-8827
Miami	Mr. Douglas J. Campbell	305-579-1600	305-374-6774
Minneapolis	Mr. Wayne Robinson	612-332-7486	612-332-4061
New York	Mr. David Shearer	212-596-1600	212-596-1793
Princeton	Mr. Donald Marsan	609-252-0777	609-252-0792
San Diego	Mr. Michael Stinson	619-597-7050	619-457-2844
San Francisco	Mr. Robert Logie	415-543-2550	415-512-7671
San Jose	Mr. Brian Cox	408-289-1157	408-289-1168
Seattle	Mr. Carl Kuhnke	206-443-1777	206-443-9735
Washington	Mr. R.J. (Bob) Rutherford	202-682-1740	202-682-7619

For information

Find out more about Canada by contacting the Canadian embassy or the nearest consulate, or by contacting directly:

Department of Foreign Affairs and International Trade

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Internet: <http://www.dfait-maeci.gc.ca>

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