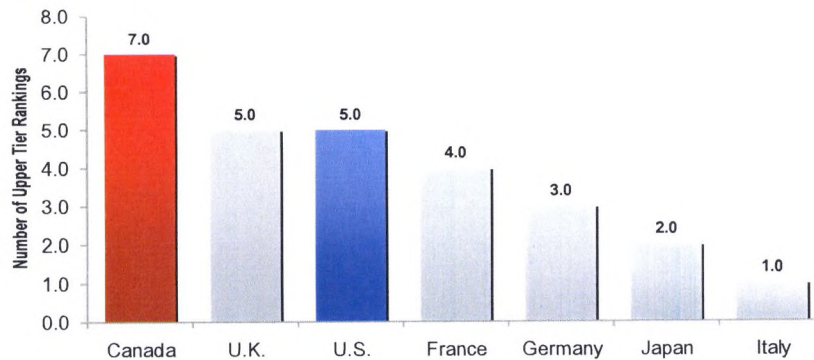




Canada Ranks High on Innovation Policies

- Canada ranks highest among G-7 countries in terms of the number of upper tier rankings across seven core innovation policy areas: Science/R&D; Domestic Competition; Intellectual Property; Information and Communication Technology (ICT); Government Procurement and High-Skill Migration.

Core Innovation Policy Ranking*



Source: The Global Innovation Policy Index – Information Technology and Innovation Foundation and the Kauffman Foundation – United States – March 2012.

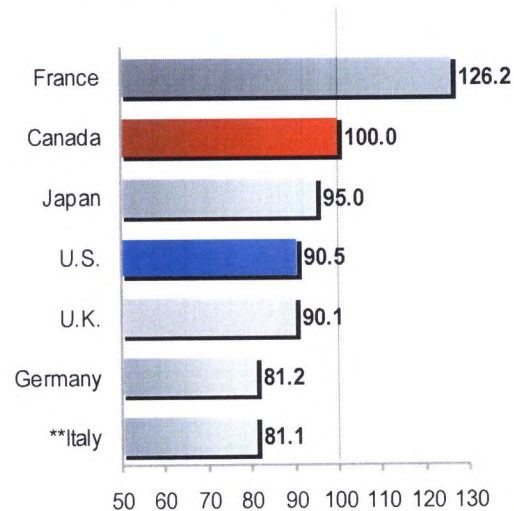


Canada Benefits by Having One of the Best R&D Tax Treatments in the G-7

- Canada currently offers one of the most favorable tax treatments for R&D among the G-7.
 - Canada provides a system of tax credits and accelerated tax deductions for a wide-variety of R&D expenditures.
 - Eligible costs include: salaries, overhead, capital equipment, and materials.
- These tax-based treatments permit firms to significantly reduce R&D costs through direct investment or sub-contracting in Canada.

Relative Generosity of R&D Tax Treatments*

(Index: Canada = 100.0)



Source: Warda, Jacek, *Assessing changes to SR&ED and related policy instruments on Canada's competitiveness for Foreign Direct Investment*: November 22, 2013.
 Note: Relative generosity is determined by dividing the after tax cost of performing \$1.00 of R&D by 1 less the corporate tax rate. Results are indexed to the relative generosity of Canada's system of tax-based support for R&D. The higher the ratio the more competitive the tax system.
 * Calculations based on large firms, ** Pending new legislation proposal.