

# Venture Capital Tax Credit Program

---



Innovative Programs and  
Partnerships Branch

# Tax Credit Program Basics

Program Goal

Stimulate investment in small businesses in the province by helping off-set the risk to BC-based investors to of investing in risky businesses.

What makes venture capital investment high risk

Companies engaged in research, technology development, software and manufacturing; businesses may have limited assets and revenues

What makes venture capital attractive

Dividend income and/or capital gains from an acquisition or sale of initial shareholdings



# Venture Capital Tax Credit Program

Province offers a **30% Tax Credit** to investors who invest in eligible businesses

Small Businesses must

- Register in the program
- Issued an Equity Authorization (part of annual tax credit budget)
- Issue equity shares for cash

Business  
Creation Budget

Clean Tech  
Budget

Community  
Budget

Equity Capital  
Budget

New Media  
Budget



# Features of the Tax Credit

- Individual (B.C. resident) or taxable corporation in BC
- Tax credit for an individual is fully refundable up to \$120,000 (\$400,000 investment) tax credit per year
- Tax credit for corporations is unlimited but non-refundable
- Four year carry forward of unused tax credits



# Program Statistics (2022)

**OVER 2,000** in Tax Credit  
Certificates Issued to Investors

**\$96.7 MILLION**  
in equity capital  
raised

**414**  
**Allocations &**  
**365**  
**Registrants**  
raising capital

**About 100**  
**Businesses**  
registered

**\$127**  
million can  
be raised  
in 2021



# Eligible Business Activities



Manufacturing & Processing



R&D of a Proprietary Technology



Clean Technology



Interactive Digital Media



Tourism



Advanced Commercialization



Community Diversification



Scale Up



# Prohibited Activities

Financial Services

Retail & Gift Stores

Real Estate Development

Resource Extraction

Restaurants & Bars



# Program Structure

Small Business Venture Capital Act  
(Venture Capital Tax Credit Program)

Eligible Business  
Corporation

Venture Capital  
Corporation





# Eligibility Criteria – Eligible Business Corporation (EBC)

Substantially engaged in an eligible activity

Incorporated and registered to operate in BC

Permanent place of business in BC

No more than 100 employees

75% of wages & salaries to employees in BC

\$25,000 in equity capital

80% of assets in BC



# Eligible Business Corporation (EBC)

## Direct Investment Model

EBCs must:

- Less than 100 employees
- Pay at least 75% of wages to BC employees
- Raised at least \$25,000 in equity capital
- Substantially engaged in prescribed activity

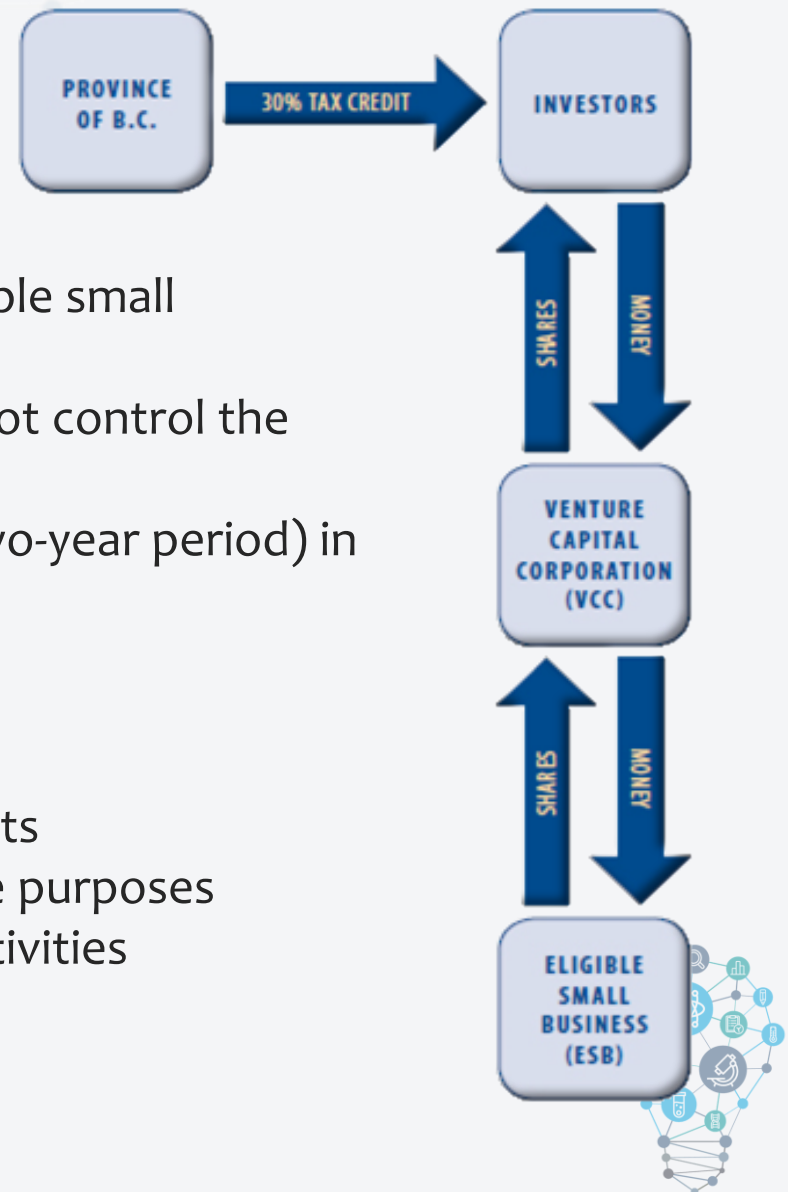
Eligible investors:

- BC resident or taxable corporation in BC (purchase shares directly in EBC)
- 30% refundable tax credit up to \$120,000 (\$400,000 per individual investor)
- Shares held for 5 years



# Venture Capital Corporation (VCC)

- Venture Capital Corporation (VCC)
  - Investors purchase VCC shares
  - VCC invests at least 80% of funds in eligible small businesses (ESBs) for 5 years
  - VCC hold less than 50% voting interest/not control the eligible small business (ESB)
  - VCC(s) can invest up to \$10 million (in two-year period) in a small business (ESB)
- Eligible Small Business (ESB)
  - Less than 100 employees
  - Pays at least 75% of wages to BC residents
  - Funds received must be used for eligible purposes
  - Business must be engaged in eligible activities



# Claiming Tax Credits

- Registrant (EBC or VCC) remits investor investments through web-based system
- Program makes available Tax Credit Certificates and registrants distribute to their investors
- An investor claims tax credit when filing income tax return
- If tax credit exceeds taxes owing, Canada Revenue (CRA) issues refund cheque



# Ongoing Compliance

- After shares held for five years, registration can be revoked, and the tax credit liability waived
- EBCs must be in a qualifying activity for five years
- Submit an Annual Return for each of the five years capital is raised
- Non-compliance may result in repaying tax credits

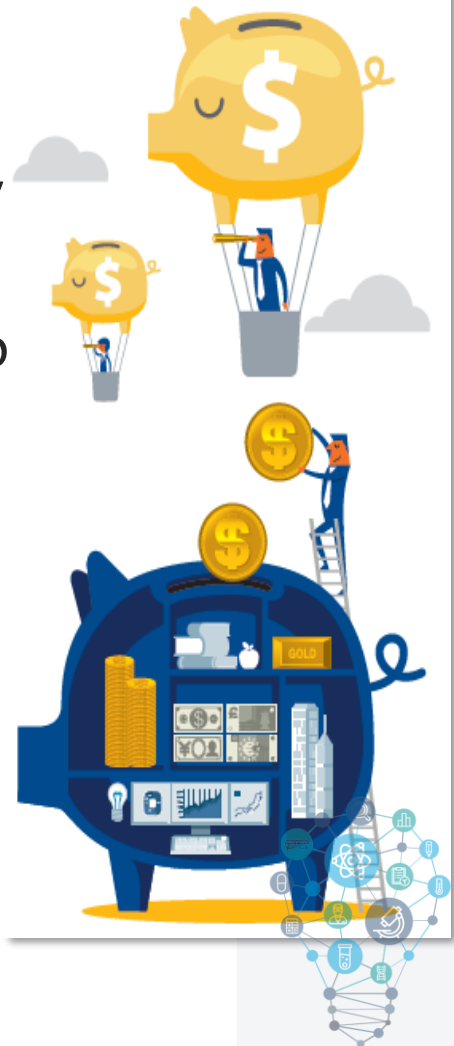


# Program Changes

- Funds held in their Tax-Free Savings Account (TFSA)
- Simple Agreement for Future Equity, or “SAFE” added to the definition of an “Equity Share”
- Prorating of tax credit liability starting in two years instead of after three years
- EBC Register to support greater awareness of businesses

## Investment Capital Program Guidelines

Helping small businesses raise investment capital



# Contact Us!

Office: 250 952-0136

Toll Free: 1-800 665-6597

[InvestmentCapital@gov.bc.ca](mailto:InvestmentCapital@gov.bc.ca)

[gov.bc.ca/investmentcapital](http://gov.bc.ca/investmentcapital)