



How tax incentives fuel innovation and drive change

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The better the question. The better the answer.
The better the world works.



EY

Shape the future
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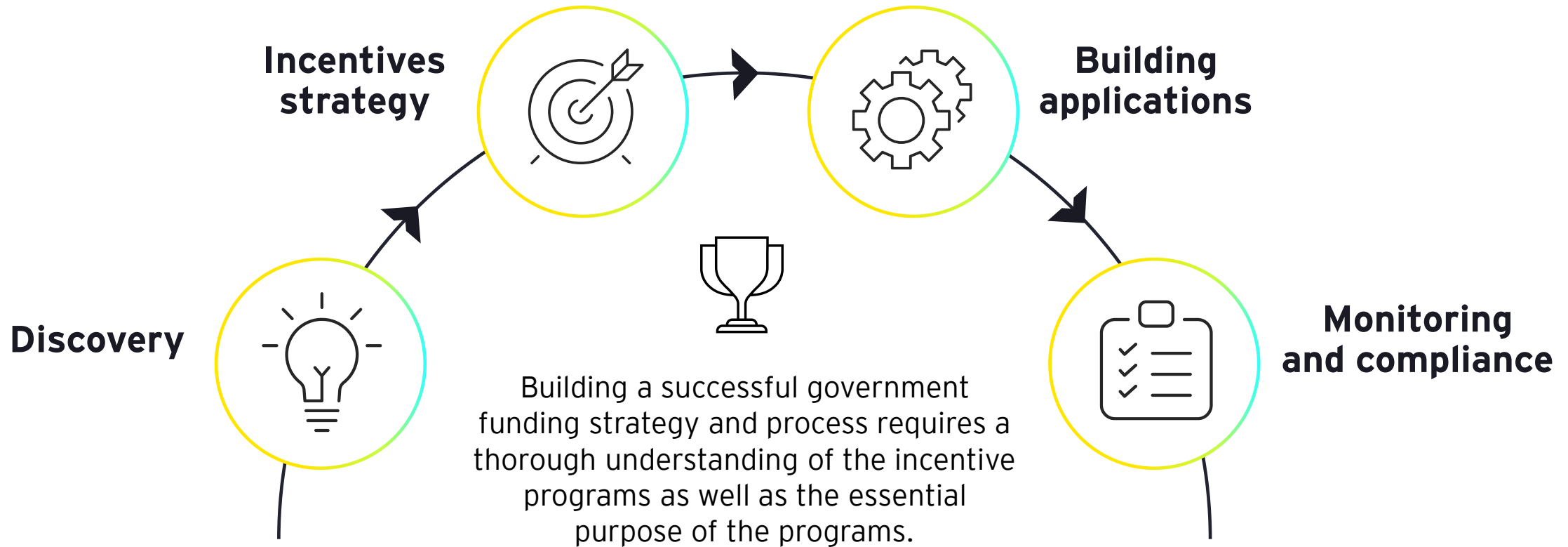
Agenda

Discovery considerations

Incentives strategy

Building applications case studies

A practical approach to incentives



Discovery considerations



Incentives indicators

Areas of investment that result in discretionary or legislated incentive opportunities

Capital expenditures



- Greenfield investment
- Brownfield investment
- Facility expansion/ modernization
- Machinery/equipment
- Supply chain optimization
- Tariffs

Employment



- Job creation/retention
- Training
- Upskilling
- New grads/apprentices

Innovation



- Research and development
- New product development
- Product performance or functionality enhancement
- Machinery/equipment development
- Software development

Sustainability



- Green energy investments
- Energy efficient equipment
- Green buildings and development
- Renewable energy generation
- Carbon footprint reduction/carbon credits

To fuel innovation and change

Key elements to identify incentives

- What can have an impact on the incentive
- Incentives indicators / projects / investments
- Enable a forward looking and strategic incentives approach (Discretionary incentives vs tax credits)
- Update your incentives strategy every 6 months or with every change and new project / activity
- Have a robust and consistent method to track and capture incentives
- Use available tools

Collaborate with SMEs

Canadian IP

Projects with Indigenous communities

Focus on GHG reduction and increased energy efficiency and innovation

Location of the project / investment

Connectivity with government

Tax policies that focus on innovation and emerging industries

Patent box regime

- In 2024, a prior Liberal government sought to establish a patent box.
- Preferential Tax treatment aimed at encouraging companies to retain intellectual property within Canada.
- Limited details in the platform; potential reduction in the combined corporate tax rate for income derived from eligible IP assets in Canada.

Flow through shares

- AI, quantum computing, biotechnology, and advanced manufacturing to be able to offer flow-through shares to the public.
- The possibility of "stacked" tax incentives exists if integration with SR&ED is allowed, potentially enhancing the incentives available to businesses.

Larger R&D refunds?

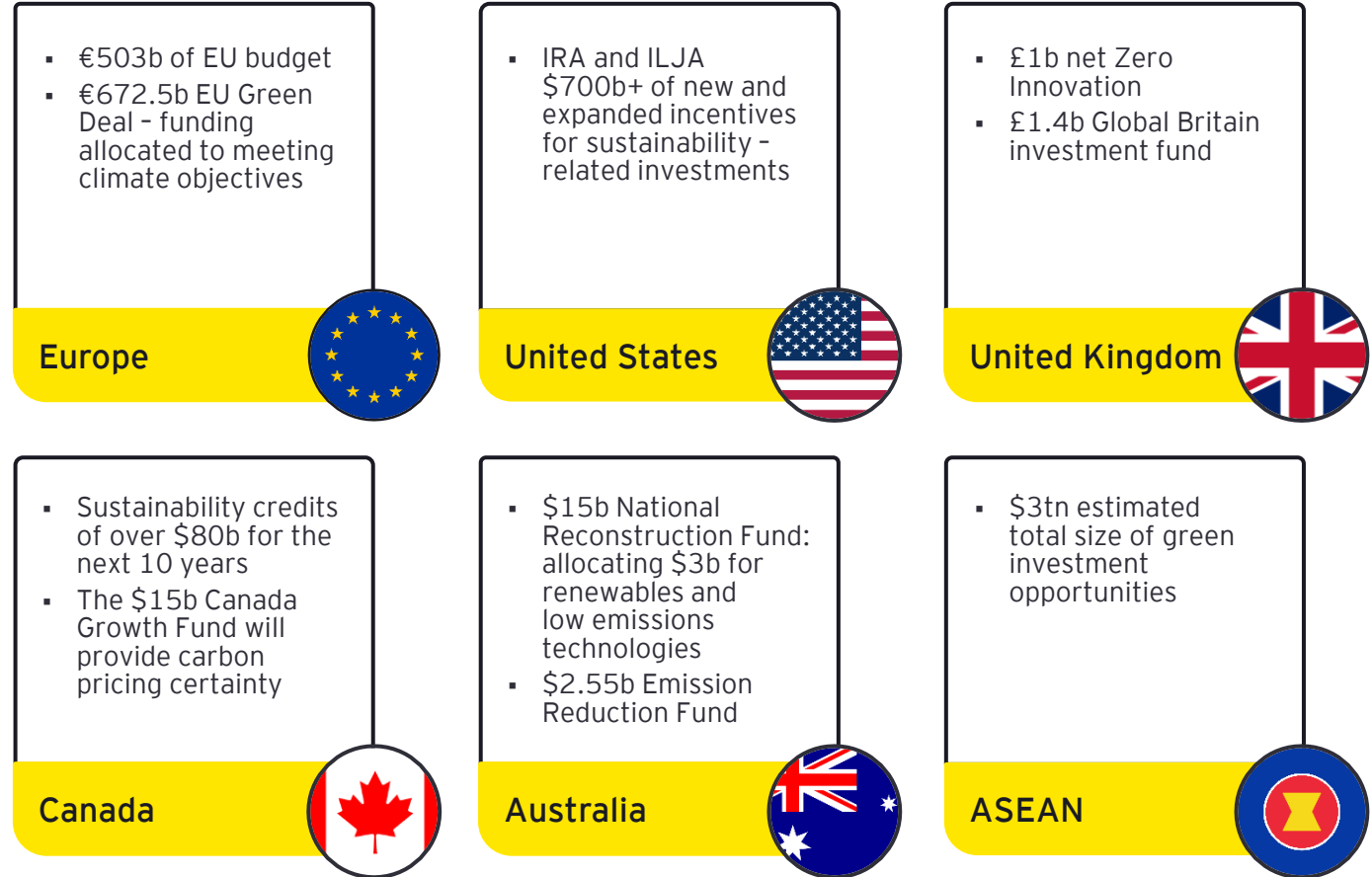
- CCPC's currently receive a 35% refundable tax credit on eligible R&D expenditures up to \$3 million, totaling \$1.05 million in refundable credits.
- The government Platform proposes to double the expenditure cap to \$6 million, allowing businesses to receive up to \$2.1 million in cash refunds annually.
- The Liberal Platform does not include a promise to expand the enhanced refundable tax credit to public companies from FES.

Over 3600+ incentives available globally for sustainability activity

Type of sustainability incentives

Sustainability incentives can generally be divided into three categories, that encourage:

- 1** A reduction in natural resource consumption
- 2** A switch to renewable or alternative energy sources
- 3** Innovation of new low carbon products and manufacturing processes



Overview: This report shows a high level consolidation of all enacted policies and, if subscribed, all country level horizon scanning policies as well.

[Jurisdiction Horizon Scan](#)[U.S. State Horizon Scan](#)

Clear Filters

Region, Jurisdiction

All

Tax Area

All

Keyword Search

Search

Company Footprint



Personal Focus Areas



Implementation Status

- ☐ Select all
☐ Developing
☐ Enacted

128

of Jurisdictions

7,576

of Instruments

6,562

of Enacted

1,014

of Developing

of Instruments by Jurisdiction



of Policy IDs



Flagged	Policy ID	Tax Area	Jurisdiction	Name of Instrument	Implementation Status
	UID-GTDD-0000847	Other	Australia	Determination on wine tax for defence-related international obligations	Developing
	UID-GTDD-0000491	Carbon Measures	Australia	Consultation and legislative guidelines to reform Safeguard Mechanism and Powering the Regions Fund (PRF) for zero emissions	Developing
	UID-GTDD-0000150	Energy	Australia	Temporary reduction	Developing

Incentives strategy



Types of incentives offered

Statutory: Automatic ("as of right")

Statutory tax credits & incentives that are provided to companies "as of right" if they meet defined statutory requirements

- Pre-certification or prior approval not required

Statutory: Pre-approval or Prior Certification Required

Statutory tax credits & incentives that require companies to meet additional approval qualifications within federal and local regulations

Discretionary ("but for")

A "discretionary" grant is a grant in which a federal or provincial agency selects the awardee (i.e., grant recipient) based on merit and eligibility.

General tax
incentives

R&D
incentives

Hiring
incentives

Infrastructure
incentives

Incentives for
energy savings

Grants and
subsidies

Low or zero
interest loans

Discretionary versus statutory







Discretionary

- Awarding process - subjective and dependent on performance
- Application process before the project and involves negotiation and approval processes
- Financial support:
 - Grants
 - Subsidies
 - Loans
- Stacking limits

Statutory

- Legislated - objective and automatic, if eligibility criteria are met
- Claimed on tax returns with supporting documentation
- Financial support:
 - Tax credits
 - Reduced income tax rates (manufacturing rate reductions)
 - Accelerated tax deductions

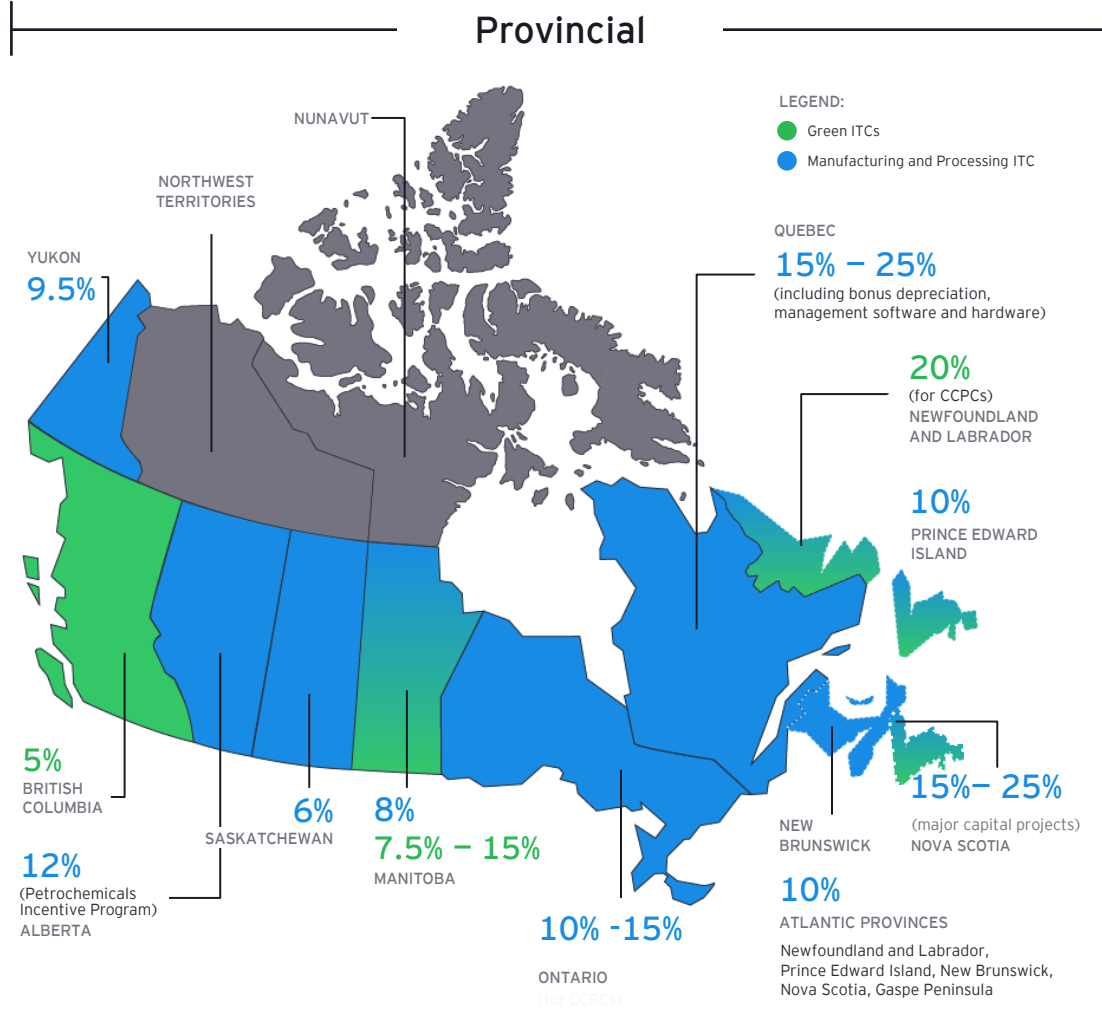
Federal and regional considerations

Federal			Provincial		
	30%*	Clean Technology Investment Tax Credit			
	30%	Clean Technology Manufacturing Investment Tax Credit			
	15%*	Clean Electricity Investment Tax Credit			
	37.5%-60%*	Carbon capture utilization and storage Investment Tax Credit			
	15%-40%*	Clean hydrogen Investment Tax Credit			
	10%	Electric vehicle supply chain Investment Tax Credit			

*If certain labour requirements are not met, the ITC rate is reduced by 10%

Zero-emission technology manufacturing rate reduction

 **Up to 50%** reduction in Federal Corporate Income Tax Rate



Roadmap

Incentives	Stacking Limits	Start Date	Mega Project components	Maximum funding %	Project Budget (CAD M)	Potential Incentive (\$)	Type of Incentive	2024				2025				2026				2027			
								Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Scenario 1																							
EcoPerformance	75%	2025	A	50%	30	10,0	Grant*	Apply	Assesment & Negotiation	Execute the project													
		2027	B		15																		
		2025	C		10																		
C3I	No limits	2025	A	25%	30	5,0	Tax credits					Execute the project											
		2027	B		15	1,3						Execute the project											
		End of 2025	D		35	8,8						Execute the project											
			C		10	0,0						Execute the project											
CT ITC	No limits	2027	B	30%	15	1,1	Tax credits													Execute the project			
Clean Hydrogen ITC	No limits	2025	C	15% - 40%	10	0,0	Tax credits					Execute the project									Apply		
Total					94	26,1																	
Scenario 2																							
LCEF	25% for federal 50% for all levels	2025	A	25%	30	7,5	Grant	Apply	Assesment & Negotiation	Execute the project													
		2027	B		15	3,8																	
		2025	C		10	2,5																	
C3I	No limits	2025	A	25%	30	5,6	Tax credits					Execute the project											
		2027	B		15	2,8						Execute the project											
		End of 2025	D		35	8,8						Execute the project											
			C		10	1,9						Execute the project											
CT ITC	No limits	2027	B	30%	15	2,5	Tax credits													Execute the project			
Clean Hydrogen ITC	No limits	2025	C	15% - 40%	10	2,3	Tax credits					Execute the project									Apply		
Total					94	37,6																	

Building applications case studies



Case study 1:

Manufacturing government grants and incentives

Advanced manufacturing company

Background

- Advanced manufacturing company investing in a new production line for innovative, newly developed products engaged EY to maximize available funding.

Capital investment:

- \$31 Million

Jobs:

- 125 full-time jobs created

Approach

- EY analyzed the proposed project, which included a review of project budget documentation, and undertook discussions with key client personnel, including individuals from finance and operations, to understand the nature and benefits of the project
- The project was competitive, as the client was investing in innovative solutions for global market leaders in the medical, industrial, telecommunications, and aerospace industries, which would secure Canada's competitive position
- Assisted the client with preparation for meetings and negotiations with government officials, drafted a complete program application, assisted in contract review and ongoing compliance requirements for the project

Outcome

- Quebec government funding - \$5M loan (0% interest, low interest, and forgivable)
- Federal government funding - \$2M loan (0% interest)

Case study 2:

Clean technology tax incentives

Construction of new commercial office tower

Background

- Construction of a new commercial head office, including the installation of technology to reduce emissions.
- Project included:
 - Electric vehicle charging stations
 - Heat pump technology
 - Solar panels
 - Significant outdoor and communal areas
 - Significant technology investment

Capital investment:

- \$170 million

Approach

- Reviewed proposed project and capital expenditures to identify and develop approach to secure:
 - Discretionary incentive opportunities prior to construction
 - Clean economy investment tax credits available
- Reviewed project documentation, discussions with key personnel, including individuals from finance and operations, to understand the nature of the project
- Real time review of capital expenditures to optimize available deductions and tax credits

Outcome

- Net present value tax shield benefit of approximately \$7 million from additional tax deductions through identification of:
 - Clean energy property
 - General equipment
 - Communal areas
 - Building technology
- Clean technology investment tax credit opportunities of over \$2 million

Dharmesh Gandhi

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Dharmesh leads the Central Quantitative Services Practice and has 19 years of experience working with companies across Canada. He is responsible for strategy, operations, client relations, quality, risk management and knowledge sharing related to incentives and capital investment matters across the central region and nationally.

He works closely with his clients as a trusted business advisor, providing results-oriented advice and delivering the connections and insight required to access government grants and incentives. He specializes in the SR&ED program, business grants and sustainability credits for Canadian and multi-national corporations.

Dharmesh's technical expertise is broadened by his focus on private and growth market boards. He has an in depth understanding of industry trends and state of the art technological advancements across a wide variety of industries.



Martin McLaughlin

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Martin is a partner with over 20 years of experience in the incentives space helping companies in both the public and private sector across Canada.

He is the Canadian Capital Asset Review leader, specializing in fixed asset analysis, cost segregation and incentives related to capital expenditures. He works with companies to identify investments that are eligible for tax credits, incentive opportunities, accelerated tax depreciation, and immediately deductible costs around capital asset spending on new or existing facilities, sustainability and emissions reduction initiatives, equipment implementation, soft costs and software costs.

Martin works closely with clients as a trusted business advisor to help access funding to transform their operations, fund growth, and ensure they are sustainable and future ready.



Julia Bolpois

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Julia brings 18 years of expertise in filing tax credit and incentive applications. As a dedicated advisor, she prioritizes exceptional service to clients by developing and executing government program strategies that enable companies to maximize their return on investment in growth, transformation, and innovation projects.

Her role involves helping companies save time and fully leverage financial opportunities across various sectors, including sustainable development and environmental solutions, plant and process digitalization and modernization, as well as intellectual property and workforce expansion.

Julia's key responsibilities encompass reviewing government incentives for investment projects, preparing strategic incentives roadmaps, crafting applications that align with program criteria and governmental priorities, compiling supporting documentation, and liaising with government officials.

Additionally, she assists companies in identifying assets eligible for tax credits and incentive opportunities related to capital asset expenditures, which includes investments in new or existing facilities, decarbonization and emissions reduction initiatives, equipment implementation, and other relevant project costs.



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