



## Global Investment and Innovation Incentives – Presentation

April 11, 2024

# AGENDA

**1** Overview: Canadian Funding Landscape

**2** Case Studies: Successful Applications

**3** Q&A



# Overview of G&I in Canada

## Accessing the benefits

### Typical financial benefits

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Tax credits or rebates, either as a reduction of your corporate or employer taxes or as a refund in other ways



Defined grants and accelerated tax deductions that apply to prescribed investments



Negotiated grants or incentives as a function of employment creation or capital investment

### Investment factors that trigger more incentives

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#### R&D projects

For product and process—for all industries—from basic research to shop floor



#### Capital investments

Whether site-related or for equipment purchases



#### Employment

Creation, conversion, and training



#### Location

New sites or modifications to existing sites



#### Environment

Direct investments or productivity improvement- related



#### New Markets

Investing to grow in new markets globally

# Key Considerations – The Incentives Universe



## Plan

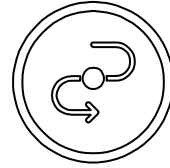
**Plan, apply, and receive approval before you spend**

Application for non-tax incentives must be made **BEFORE** the investment begins.



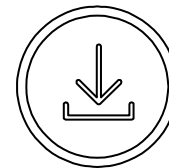
## Budget

In general, program terms and conditions vary regularly, and **budget envelopes are limited.**



## Positioning

The definition of the project, its positioning and the business plan are essential to **increase the chances of success**



## Stacking

Several levels of government can join forces to support the same project. **Cumulative financial assistance** from government departments or agencies (federal & provincial) for a given project must not, as a general rule, exceed 75% of total eligible expenses. Some programs are mutually exclusive, meaning that obtaining funding from some programs eliminates the possibility of obtaining funding from others.

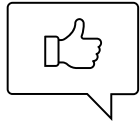


## Partnerships

Partnerships are increasingly preferred by funding organizations, especially for innovation projects.

# Discretionary Funding

## Tips for Effective Applications



Understand the program



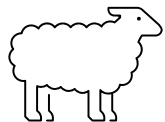
Demonstrate the plan



Be direct and succinct



Show capabilities to execute



Avoid fluff



Justify funding need

# Case Study 1

## Advanced Manufacturing Consortium Project

<b>Client</b>	Industrial Parts Manufacturer
<b>Project</b>	Custom-built integrated software and hardware manufacturing optimization system
<b>Project Budget</b>	\$8 million
<b>Project Timeline</b>	5 years
<b>Type of Funding</b>	Federal

### Case Study Background

- Client was looking to automate operations from both a hardware and software perspective
- Off the shelf solutions did not exist for high-mix, low-volume (HMLV) manufacturing
- Client engaged with manufacturing software solutions company and robotics & automation integration company to create an integrated system designed for HMLV manufacturing
- Result:
  - Automated cells containing robotics, end-of-arm tooling, material handling equipment, vision systems, and other advanced integrated systems
  - An industrial data repository and AI engine that collects and analyzes manufacturing data and feeds into scheduling and ERP systems

### Deloitte's Gi3 Role and Outcomes

- Helped client develop project narrative that aligned with program objectives and shared project summary with program contact
- Connected client with program contact to discuss project in more detail and receive feedback from program on how to structure project narrative for application
- Organized meetings with consortium members to extract relevant project information and identify information gaps that would be required to complete the application
- Prepared application and all supporting project documents, including project Gantt chart, budget, risk register, and IP plan
- Deloitte was able to secure \$3M in funding for the client
- This project will result in **350 new jobs** for the consortium members over 5 years in Canada



# Case Study 2

## Tier 1 Automotive Manufacturer Securing Provincial Funding of \$300K

<b>Client</b>	Industrial Parts Manufacturer
<b>Project</b>	ERP software upgrade and reshoring specialty coating processes
<b>Project Budget</b>	\$800k
<b>Project Timeline</b>	2 years
<b>Type of Funding</b>	Provincial

### Case Study Background

- Company has two separate legal entities; the subsidiary serves the parent company's business needs: 90%+ of their products are sold to the parent company
- Each company has a distinct project
  - Parent company: software upgrade (ERP) to include production forecasting capabilities, analytics for QC, real time feedback and tracking capability
  - Subsidiary company: Replacing outsourcing with in-house production for a specialty coating process (Reshore)
    - Overcome challenges e.g., quality control, cross-border logistics, pricing surprise with the 3<sup>rd</sup> party, prolonged lead time
- Opportunities to expand into the EV segment

### Deloitte's Gi3 Role and Outcomes

- Educated client on the incentive process, claim reporting process, guide through presentation to the government
- Worked with client engineering and finance team to sort out KPIs and supporting documents required for the application
- Deloitte was able to secure \$300k in funding for the client
- This project resulted in 8 new jobs over 2 years in the ON



# Case Study 3

## Economic Development in Southwestern Ontario

<b>Client</b>	Automotive Parts Manufacturer
<b>Project</b>	Custom-designed automated laser welding line
<b>Project Budget</b>	\$18 million
<b>Project Timeline</b>	2 years
<b>Type of Funding</b>	Provincial

### Case Study Background

- Client was looking to invest in a new production line to produce lightweight parts for an EV manufacturer
- Client was deciding between Michigan and Ontario for new production line
- Decision to place production line in Ontario was based, partially, on ability to get funding from Ontario government
- Client worked with manufacturer to design state-of-the-art welding line designed specifically for this project
- Result: First manufacturing line in Ontario for American EV manufacturer

### Role and Outcomes

- Provided client with a list of programs that aligned with different projects they were working on
- Client reached out when project was confirmed internally to move forward with application
- Organized meetings with Client to extract project details for application development
- Recommended client engage with Michigan government to get letter of commitment from them
- Letter from Michigan was used as leverage with Ontario government, and allowed Client to apply for non-repayable funding vs loan
- Prepared application and all supporting project documents
- Deloitte was able to secure \$1.5M in funding for the client
- This project will result in **32 new jobs** for the client over the course of the project





# Case Study 4

## Agri-food Processors – Various Projects Across Canada

<b>Client</b>	<b>Food Processors Across Canada</b>
<b>Project</b>	Adopting automation equipment to improve process efficiency and processing capacity
<b>Project Budget</b>	\$4 million in total for various projects
<b>Project Timeline</b>	2 year
<b>Type of Funding</b>	Federal-Provincial

**Case Study Background**

- Mid sized food processors A (a pastry in AB/BC), B (a meat processor in ON), C (a chocolate manufacturer in BC)
- They were evaluating different automation technology to improve their processing efficiency, expand their capabilities for new products, and increase processing capacity to meet increasing market demand
- Automation technology in meat slicing, mixers, blast freezers, moulding lines, customized ERP system, digital integrated platform
- Exploring various federal-provincial funding for the each of the company

**Deloitte’s Gi3 Role and Outcomes**

- Helping Clients prepare the application, strategic positioning, business plans, financial documents, letters of support from third parties attesting to the innovation of the technology.
- Deloitte was able to secure \$1M in total funding for the various projects.
- All projects resulted in upskilling of existing employees, redeploying employees to other value-added processes, and job creation in the next 2-3 years to support the increased volume of production



# Case Study 5

## Hiring co-op students

<b>Client</b>	Food Processor
<b>Project</b>	Hiring co-op students
<b>Project Budget</b>	N/A
<b>Project Timeline</b>	Annual
<b>Type of Funding</b>	Federal

### Case Study Background

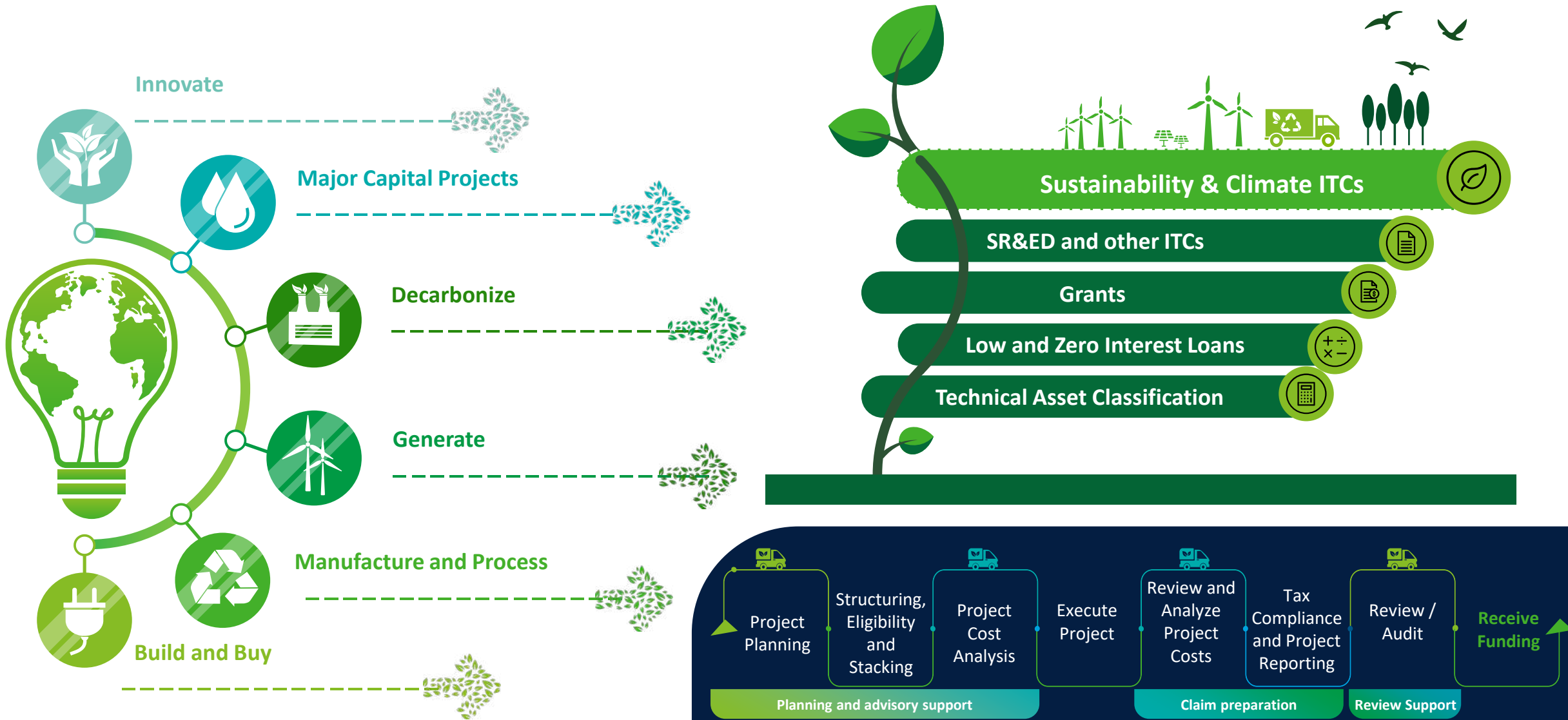
- Client growing at an exponential rate wanted to increase number of co-op students they hired
- Went from 28 students 5 years ago to over 150 students now
- Students in roles related to production, maintenance, finance, marketing, legal, etc.

### Role and Outcomes

- Presented client with funding opportunity, and explained net new program requirement
- Strategically aligned Client's hiring plans with different delivery organizations, some of whom allowed for bulk applications
- Developed relationships with delivery organizations, always making sure funding was available for client
- Collected required student and placement data and prepared applications for Client
- Support client with reporting requirements
- Deloitte was able to secure over \$750K annually in funding for the client



# Approach – A Holistic View on Project Financing via Government Support



## Summary table of the five refundable federal investment tax credits for clean technologies (as of January 10, 2024)

Name of credit	Acronym	Eligible entities	Eligible assets	Rate	Budget estimate	Effective date	End date	Status of legislation
<b>Clean Technology Investment Tax Credit</b>	CTITC	Taxable Canadian corporations**	Certain Class 43.1, Class 43.2 properties, and Class 56 properties	30%*	\$6.9 billion by 2028	March 28, 2023	15% in 2034 0% in 2035	Bill C-59 introduced Nov. 28, 2023 (s. 127.45)
<b>Clean Electricity Investment Tax Credit</b>	CEITC	Taxable and non-taxable Canadian entities	New equipment and renovation of former installations	15%*	\$25.7 billion by 2035	2024 (date of tabling of the budget)	2034 (incl.)	Possible draft legislation - 2024
<b>Clean Hydrogen Investment Tax Credit</b>	CHITC	Taxable Canadian corporations	New dedicated equipment for hydrogen/ammonia productions	40%*, 25%* or 15%*	\$17.7 billion by 2035	March 28, 2023	Reduced in 2034, 0% in 2035	Proposed legislation – December 20, 2023 (s.127.48)
<b>Clean Technology Manufacturing Investment Tax Credit</b>	CTMITC	Taxable Canadian corporations	Machinery and equipment for manufacturing of clean tech, extraction/processing of critical minerals	30%	\$11.1 billion by 2035	January 1, 2024	20% in 2032 10% in 2033 5% in 2034	Proposed legislation – December 20, 2023 (s. 127.49)
<b>Carbon Capture, Utilization and Storage Investment Tax Credit</b>	CCUS	Taxable Canadian corporations	Assets used to capture, store and reuse CO <sub>2</sub>	37.5% to 60%*	\$9.1 billion by 2030	January 1, 2022	2040 (incl.)	Bill C-59 introduced Nov. 28, 2023 (s. 127.44)

\* This rate will be reduced by 10% if the company does not comply with the labour requirements (i.e., the compensation level meets or exceeds the relevant wage, and at least 10% of total labour hours are performed by apprentices (section 127.46)).

\*\* Including certain REITs (November 28, 2023 Bill C-59)



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