

Tax changes and investment into research and commercial development can assist Canadian biotechnology industry

Building from the Speech from the Throne released yesterday, the Harper government today delivered their 2010 federal budget in Ottawa. Featured themes throughout the budget included continuing to deliver on the economic recovery commitments outstanding from last year, building job creation and starting to control federal government spending.

Overall the federal budget offered investments and new opportunities for policy development across the full spectrum of our industry. Of specific interest to our BIOTECanada membership are a number of commitments we had advocated for during the pre-budget consultations and throughout last fall. They are the elimination of taxation barriers within the Canada-US Tax Treaty (Sec 116), public investment into research institutions and universities, as well as support for commercial development of technologies. Early details of these announcements are listed below:

- **Tax changes to draw investment:**

Under Section 116 of the Canada-US Tax Treaty, tax reporting for investments such as those by non-resident venture capital funds in a typical Canadian high technology company have been eliminated.

- **Research and development review of programming:**

The federal government will work with industry and provincial governments to determine effectiveness and value of existing programming and review all federal support to R&D to improve its contribution to innovation and to economic opportunities for business. This review will inform future decisions regarding federal support for R&D.

- **Federal program investments:**

- \$600 million to the Canadian Foundation for Innovation for future activities, including a new competition to be announced in the near future.
- Genome Canada receives \$75 million for genomics project funding focused on forestry and the environment.
- Established the Next Generation Renewable Power Initiative with \$100 million dollars over the next 4 years for the commercialization and implementation of advanced clean energy technologies in the forestry sector.
- Granting Councils receive \$32 million over two years, including \$16 million to CIHR with an additional \$8 million a year to the Indirect Costs of Research Program. NSERC receives \$13 million a year with \$5 million for the Strategy for Partnerships and Innovation program.
- Creation of an Enterprise Innovation Commercialization Program for Small and Medium businesses with an allotted \$40 million over 2 years for up to 20 demonstration projects.
- \$51.7 million to the Canadian Grain Commission in support of their operations while the government aims to ensure more modern practices and increased market freedom.

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- Natural Research Council Cluster program received \$135 million over the next two years.
 - \$45 million over the next five years to establish a post-doctoral fellowship program to help attract the research leaders to Canada.
 - Regional development programs including ACOA and Western Diversification received \$49 million annually to support innovation (\$19 million to ACOA, \$14.6 million to CEDQ and Western Diversification receives \$14.7 million).
 - ISTPP (International Science and Technology Partnerships Program) receives \$8 million over the next 2 years to pursue research and development projects with partners in India, Brazil and China.
- Creation of a Red Tape Reduction Commission involving industry representation, designed to review federal regulations and decrease compliance burdens.
 - Established an Advisory Committee on Small Business and Entrepreneurship to provide advice on better access to government programs and information.

The impact of the change to the Tax Treaty carries huge opportunity and value to the emerging companies within our Canadian industry. Removing the barriers to investment imposed by the administrative requirements had seriously impeded Canada's ability to compete in the global marketplace for investment. This has been one of the long standing issues our association has raised with federal officials over the last couple of years.

The federal budget also contained clear indications for full and "aggressive" review of program funding across the entire government. This will inevitably have an effect on programs impacting our industry throughout the coming year. This announcement is matched by the overall administrative funding freeze to all federal departments. This will carry potential impacts in terms of hiring, capacity for public servants to travel and overall review of administrative costs related to job performance.

Building from these announcements today BIOTECanada will be engaging in ongoing work related to our policy priorities as outlined by our Advisory boards to ensure the overall impact to our industry is lessened as much as possible. We will work to provide you with timely information regarding these spending reviews.

