

Changes to the Saskatchewan Technology Start-up Incentive (STSI)

Two administrative changes were recently made to the STSI program.

These changes will align STSI more closely with the needs of investors and increase the amount of venture capital invested in the province's technology sector.

The changes include the following:

1. Tax credits will be rebated based on the date of investment:

- Tax credits will no longer be rebated based on the year a certificate was issued.
- All tax credits will be rebated based on the date of investment.
- Those who receive a certificate for an investment made in a previous year, will be able to claim the credit against the previous year's taxes.
 - For example, an investor who is issued a certificate in 2020 for an investment made in 2019, will be able to claim the credit on their 2019 taxes.
- This change will be retroactive to April 11, 2018.
- Amended certificates will be issued to investors who received a certificate in 2019 for an investment made in 2018. These investors may submit the amended certificate to the Ministry of Finance to claim the credit against their 2018 taxes.

2. The definition of an eligible investor has been expanded to include limited partnerships:

- Limited partnerships can apply to the program on behalf of their partners.
- A limited partner can earn a tax credit of up to \$225,000 on eligible investments made through a partnership and claim a maximum of \$140,000 per tax year. Tax credits can be carried forward for up to four years.
- Tax credits will be issued to limited partners based on their proportionate share of the eligible investment.
- A limited partnership cannot claim more than 33 percent of the total pool of available tax credits in a given year.

Frequently Asked Questions (FAQ):

Please note, the FAQ below **does not** address all the requirements a limited partnership must comply with under the program. For a complete overview of these requirements, please review the STSI Program Guide.

What makes a limited partnership eligible?

In order to be eligible, a limited partnership must:

- have a mechanism to track the ownership interests of each limited partner:
 - must be able to determine each partner's proportionate share of an eligible investment;

- file a declaration of limited partnership in accordance with the *Business Names Registration Act*;
- not be benefitting from another provincial tax incentive program; and,
- have limited partners who are:
 - based in Saskatchewan (paying taxes in Saskatchewan);
 - an individual or corporation;
 - accredited investors or meet the exemption requirements laid out in the National Instrument 45-106, *Prospectus Exemptions*.

Do limited partners have to submit their own application?

No. The general partner (GP) will apply on behalf of its limited partners. The GP will be the key point of contact between the partnership and the STSI Administrator.

Can a limited partnership apply if some of its partners do not meet the eligibility criteria?

Yes. A limited partnership can still apply if some of its partners do not meet the eligibility criteria. However, only limited partners who meet the above criteria will be eligible to receive a tax credit.

Can a general partner receive a tax credit?

No. A general partner is disentitled from receiving a tax credit.

How long must an investment be held in a startup?

A limited partnership must hold an investment in startup for two years. Furthermore, a limited partner is required **to hold their interests** in the partnership for two years (from the date that the partnership invested in the startup). Failing to comply with these requirements will result in the following consequences:

- Each partner must repay their tax credit if the partnership disposes of its shares in a startup within 2 years of the date of investment.
- A limited partner must repay their tax credit if they dispose of interests in a partnership within 2 years of the date of investment.

Can a limited partner receive a tax credit for follow-on investments made outside the partnership?

Yes. However, limited partners who use multiple investment vehicles to invest in the same startup will be subject to the \$225,000 tax credit limit across all investment vehicles:

- Ex: A limited partner invests \$50,000 into a startup through a partnership. The partner then invests \$100,000 into the same startup, as an individual outside the partnership. These investments would be added together to calculate the limited partner's total rebate for that year $(\$50,000 + \$100,000) \times (0.45)$
- Limited partners who wish to receive a tax credit for follow-on investments, must apply to the program as an individual or corporate investor.

What will the STSI process look like for a limited partnership?

- A GP will apply on behalf of its limited partners.
- At the time of registration, the GP will be expected to provide:
 - A signed limited partnership agreement;
 - A declaration or an amended declaration of limited partnership (including the capital contributions and ownership interests of each limited partner);
 - Contact information for each limited partner (must include their mailing address, city, postal code and email address); and,
 - Articles of Incorporation for the General Partner (if available).
- Once the limited partnership is approved as an eligible investor, it can seek startups to invest in.
- When a startup is found, the GP will submit a Tax Credit Certificate Application on behalf of the limited partnership.
- The Tax Credit Certificate Application must include:
 - A copy of the subscription agreement that was signed between the limited partnership and the startup;
 - A document (whose template will be posted on the website) outlining each partner's proportionate share of the total investment; and,
 - An up-to-date declaration of limited partnership.
- The startup will be required to submit proof that it received the partnership's investment. Once this has been submitted, tax credits will be approved for the limited partners.
- Tax credit certificates will be sent to the GP to distribute to its partners.

How do I get started?

- To apply, a GP must go to <https://innovationsask.ca/technology/stsi>
- Scroll down to the section on 'How to Apply' and click on the Online Application Portal.
- This will take you to a login page where you can sign up.
- Create an account with your first name, email address, and password.
- Once you sign up, you will be directed to the STSI Forms page.
- From there, choose the *Limited Partnership Application* on the left-hand side.
- Fill out and submit the application form.

Where can I find more information regarding limited partnerships under STSI?

For more information, please refer to the STSI Program Guide on our website or contact the Program Administrator:

- Website: <https://innovationsask.ca/technology/stsi>
- Program Administrator: stsi@innovationsask.ca