

# Saskatchewan Technology Startup Incentive (STSI)



**STSI offers a non-refundable 45 percent tax credit to Saskatchewan-based investors.**

Available to individuals, corporations and limited partnerships that invest in eligible technology startups

**Disclaimer:** The information in this document is accurate as of December 2019; however the Government of Saskatchewan accepts no liability for any actions taken as a result of the information contained herein.

## What is STSI?

The STSI Program offers a non-refundable 45% tax credit to individuals, corporations and limited partnerships that invest in eligible technology startups.

**Tax credits will be allocated on a first-come, first-served basis.**

An investor can earn up to \$225,000 in tax credits per annual investment in an eligible startup business (ESB) and claim a maximum of \$140,000 per tax year. Tax credits can be carried forward for up to four years.

An ESB under the program can raise a maximum of \$1 million in investment.

## Which businesses are eligible to raise capital under STSI?

In order to register, a business must:

- Have a permanent establishment in Saskatchewan;
- Have fewer than 50 employees. At least 50% of them must be based in Saskatchewan;
- Have not raised more than \$5M in equity capital to date; and,

- Be a technology-based startup that is developing a **new technology**, or combining existing technology in a new way to create a new product or service.
  - *Simply put*, a company has to be actively developing a **novel technology** for sale as a new product or service.
  - The technology does not have to be sector specific.
  - The product being developed can combine existing technologies with custom developed functionality like proprietary software algorithms.
  - This program is **not** intended for businesses that are simply reselling existing off-the-shelf technology or using it to provide a professional service.

## Which investors are eligible to receive the tax credit?

a) **Individuals and Corporations** can apply if they are:

- Based in Saskatchewan (pay Saskatchewan taxes);
- Accredited investors (i.e., Angel investor); **or**
- Meet the exemption requirements outlined in the National Instrument 45-106, *Prospectus Exemptions*.

b) **Limited Partnerships** can apply if they:

- Have a mechanism to track the ownership interests of each limited partner;
- File a declaration of limited partnership in accordance with the *Business Names Registration Act*;
- Are not benefitting from another provincial tax incentive program;
- Have limited partners who are:
  - Based in Saskatchewan (paying taxes in Saskatchewan);
  - An individual or corporation;
  - Accredited investors **or** meet the exemption requirements outlined in the National Instrument 45-106, *Prospectus Exemptions*.

c) **Venture Capital Corporations** can apply if they:

- Are based in Saskatchewan (paying Saskatchewan taxes);
- Have a mechanism to track each shareholder's contribution to an invested ESB;
- Have equity capital of at least \$25,000 at the time of registration; and,
- Have a share structure consisting of one or both of the following:
  - Common shares with no special rights or restrictions;
  - Common shares having special rights relating only to the redemption of shares by the corporation.

## How long must an investment be held in a startup?

Investments must be held for a **minimum of two years**. If an investor's equity shares or convertible rights are sold or transferred within the hold period, the rebate must be repaid.

## Can STSI be used in addition to existing incentives for the same project?

STSI can be used in addition to the Saskatchewan's Research and Development (SR&ED) tax credit program or the Saskatchewan Commercial Innovation Incentive (SCII).

Applicants applying to both STSI and the Saskatchewan Advantage Innovation Fund (SAIF) are limited to a lifetime cap of \$450,000 combined between the two programs (i.e., STSI \$200,000 + SAIF \$250,000). The total amount of stacked funding will be calculated by:

- (Adding the contribution being requested under SAIF) + (The amount of credits being claimed under STSI).

A Venture Capital Corporation cannot apply to STSI if it is benefitting from the Labour Sponsored Venture Capital Corporation tax incentive.

## What types of investments are eligible?

To be eligible, an investment must meet the following criteria:

- Equity shares must be directly issued from the startup business to the eligible investor;
  - Convertible Notes and Simple Agreements for Future Equity (SAFE) are accepted;
- Equity shares should not come with special rights or restrictions;
- An investment is **not** eligible if it would allow an investor to own shares, either directly or in conjunction with a related person, carrying 50% or more of an ESB's voting rights.
- An investment **cannot** be made by an investor who disposed of shares in the startup in the two years preceding the date of investment.

## Additional information:

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

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