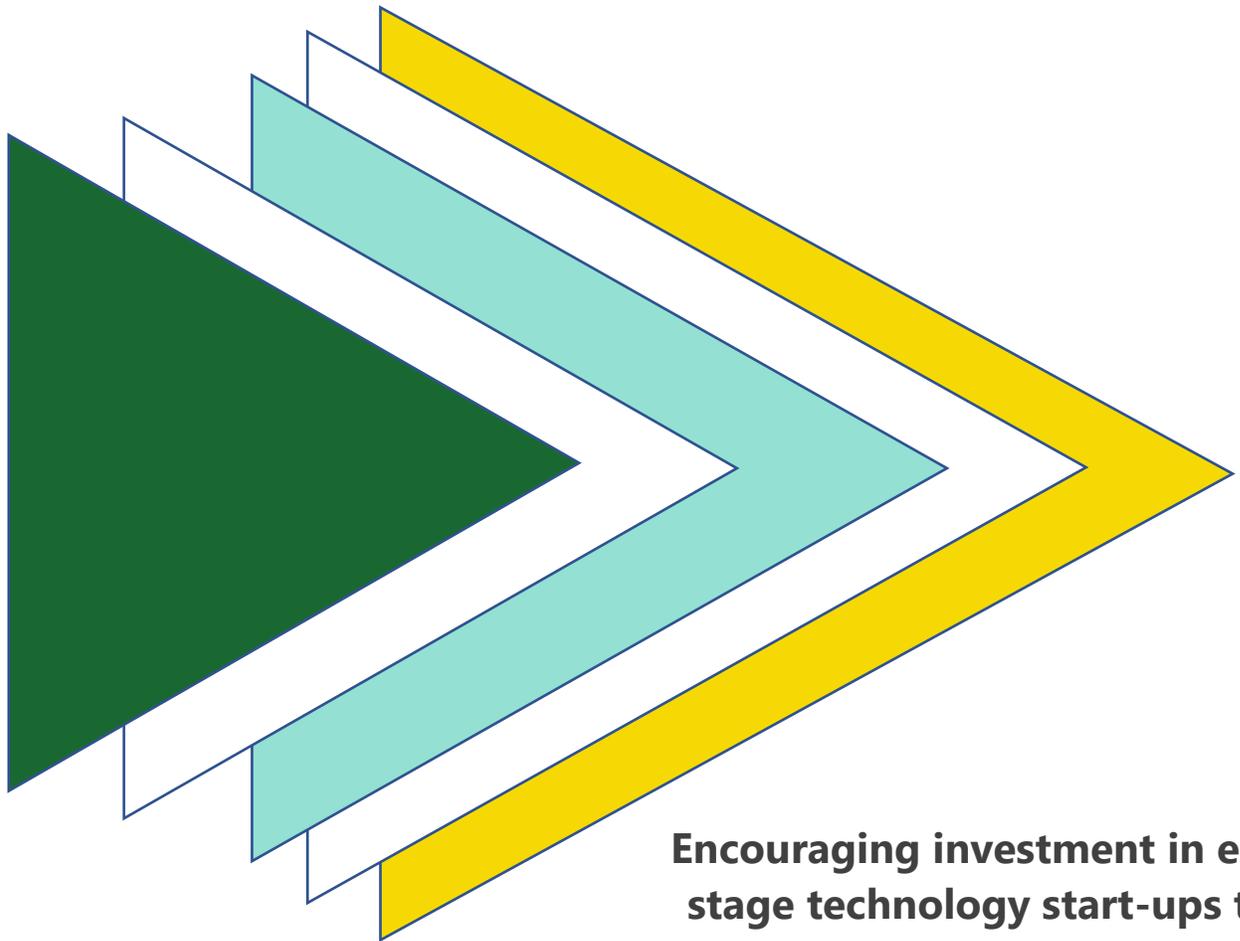


# Saskatchewan Technology Start-up Incentive

## Program Guide



**Encouraging investment in early-stage technology start-ups that bring new products to market and create jobs in Saskatchewan**

# Table of Contents

- Program Overview..... 2
- Eligibility Criteria ..... 3
- Funding Requirements..... 5
- Stacking Policy ..... 6
- Tax Credit Allocation Procedure..... 6
- Investment Requirements ..... 7
  - Holding Period**..... 7
  - Restrictions on Related Persons**..... 8
- Ineligible Use of Funds..... 9
- Proof of Investment Requirements..... 10
- Program Structure and Application Process ..... 11
  - Steps for Eligible Start-up Businesses** ..... 11
  - Steps for Individual or Corporate Investors**..... 14
  - Steps for Venture Capital Corporations** ..... 17
  - Steps for Limited Partnerships** ..... 20
- Application Process Flow Chart ..... 23
- How to Claim the Tax Credit..... 25
- Reporting Requirements ..... 26
- Additional Information..... 27

# Program Overview

## The Saskatchewan Technology Start-up Incentive (STSI) encourages investment in early-stage technology start-ups that bring new products to market and create jobs in Saskatchewan

STSI offers a non-refundable 45 percent tax credit to Saskatchewan-based investors who invest in eligible technology startup businesses (ESBs).

An investor can earn up to \$225,000 in tax credits per annual investment in an ESB and claim a maximum of \$140,000 per tax year. Tax credits can be carried forward for up to four years. The maximum amount an ESB can raise under the program is \$1 million.

STSI operates on a first-come, first-served basis. The program has a budget of \$7 million over two-and-a-half-years.

### In summary, there are seven key steps to the process:

1. An ESB or investor creates a user profile through the [Online Application Portal](#).
2. An ESB or investor completes their respective application form.
3. Once the application has been approved, an ESB seeks investment capital from an eligible investor. When an eligible investor has been identified, a subscription agreement should be signed between the investor and the ESB.
4. The ESB completes a Tax Credit Certificate Application (TCCA) on behalf of its investor(s). The ESB will submit the TCCA, an updated shareholder registry and term sheet to the Program Administrator.
  - o Venture Capital Corporations (VCCs) and Limited Partnerships are also required to submit a TCCA for their investment in an ESB. Their application will be matched with the ESB's application.
5. Once the TCCA is approved, the ESB will have **40 days** to submit proof that the investment has been received (refer to page 10 for further details).
6. When satisfactory proof has been provided, the Program Administrator will issue a Tax Credit Certificate Approval Letter to the ESB, who will distribute the letter to its investors.
7. Tax credit certificates will be distributed in December of any given year. The certificates will be issued to the designated ESB, who will distribute them to its investors.

ESBs, VCCs, and limited partnerships are required to submit an Annual Return in the two years following an investment.

# Eligibility Criteria

## **Start-up Businesses:**

In order to register as an Eligible Start-up Business (ESB), a company must:

- Have fewer than 50 employees, including full time, part time, and contract workers;
  - 50 percent of these employees must be based in Saskatchewan;
- Have a permanent establishment in Saskatchewan;
- Have not previously raised more than \$5 million in equity capital;
- Be a technology-based start-up with a **novel technology** for sale or under development for sale as a new product or service:
  - The technology can be from any industry.

### **Please note:**

- If an ESB has not received investment within two years of becoming eligible, the ESB must reapply to the program.

## **Investors:**

### **a) Individual or Corporate Investors**

Both **individuals** and **corporations** can apply to STSI as an eligible investor. In order to be eligible, they must:

- Be based in Saskatchewan (paying Saskatchewan taxes);
- Be an accredited investor (i.e., Angel investor); **or**
- Meet the exemption requirements outlined in the National Instrument 45-106, *Prospectus Exemptions*.

### **Please note:**

- Founders cannot receive a tax credit for investing in their own company.
- The criteria for an accredited investor can be [found here](#) (Section 1.1 - pages 1-3)
- The exemption requirements for a non-accredited investor can be [found here](#) (Section 2.6 - pages 26-27).

### **b) Venture Capital Corporations:**

In order to be eligible, a VCC must:

- Be 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 the shares by the corporation.

**Please note:**

- A VCC cannot apply to the program if it is benefitting from the Labour Sponsored Venture Capital Corporation tax incentive.
- An existing VCC may need to establish a separate fund for the purposes of investing in an ESB.
- A VCC must not alter its share structure without prior written approval of the Minister.

**c) Limited Partnerships:**

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;
- 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*.

**Please note:**

- A limited partnership can still apply to the program if some of its partners do not meet the above criteria. However, only limited partners who meet the above criteria will be eligible to receive a tax credit.
- A general partner is not eligible to receive a tax credit.
- A limited partnership must not alter the following without prior written approval of the Minister:
  - The ownership interests of its limited partners; and
  - Its declaration of limited partnership.
- The criteria for an accredited investor can be [found here](#) (Section 1.1 - pages 1-3)
- The exemption requirements for a non-accredited investor can be [found here](#) (Section 2.6 - pages 26-27).

# Funding Requirements

**There is no minimum investment required by the STSI program.**

## **For an Eligible Start-up Business (ESB):**

- An ESB can raise up to \$1 million in direct investment under the program.
- Companies that have raised more than \$5 million of equity capital in their lifetime are not eligible under STSI.

## **For Individual or Corporate investors:**

- An investor can earn up to \$225,000 in tax credits per annual investment in an ESB.
- There is no limit on the amount that can be invested in an ESB.
- An investor can claim a maximum of \$140,000 in tax credits per tax year.
- Tax credits can be carried forward for up to four years. For example, an investor may claim \$140,000 in tax credits in year one and \$85,000 in tax credits in year two.

## **For a Venture Capital Corporation:**

- A VCC cannot claim more than 33 percent of the total amount of tax credits available in a given year.
- The funds invested by a VCC cannot have been used to receive a tax credit from another tax incentive program.
- A shareholder can earn up to \$225,000 in tax credits per annual investment in an ESB.
- A shareholder can claim a maximum of \$140,000 in tax credits per tax year.
- Tax credits can be carried forward for up to four years. For example, a shareholder may claim \$140,000 in tax credits in year one and \$85,000 in tax credits in year two.
- There is no limit on the amount a VCC can invest in an ESB.

## **For a Limited Partnership:**

- A limited partnership cannot claim more than 33 percent of the total amount of tax credits available in a given year.
- A limited partner can earn up to \$225,000 in tax credits per annual investment in an ESB.
- A limited partner can claim a maximum of \$140,000 in tax credits per tax year.
- Tax credits can be carried forward for up to four years. For example, a partner may claim \$140,000 in tax credits in year one and \$85,000 in tax credits in year two.
- There is no limit on the amount a limited partnership can invest in an ESB.

### Follow-on Investments:

- A limited partner **can** receive a tax credit for follow-on investments made outside of the partnership.
- However, limited partners who use multiple vehicles to invest in the same startup will be subject to the \$225,000 limit across all investment vehicles:
  - E.g: An individual invests \$50,000 into a startup through a limited partnership. The individual invests another \$100,000 into the same startup, outside the partnership. These investments would be added together to calculate the individual'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.

## Stacking Policy:

- ESB applicants applying to both STSI and the Saskatchewan Advantage Innovation Fund (SAIF) face 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).
- It is highly recommended that applicants applying to both SAIF and STSI contact the Program Administrator.

## Tax Credit Allocation Procedure:

- Tax Credit Certificate Applications will be processed based on the order they are submitted (on a first-come, first-served basis)
- When a Tax Credit Certificate Application is submitted, credits are *temporarily* allocated to the investors on the application until proof of investment documentation has been submitted.
- Applicants are given 40 days to submit proof of investment documentation.
- If sufficient proof is not provided within 40 days, the Tax Credit Certificate Application **will be denied and removed from the processing queue.**
- The credits temporarily allocated to the investors on the application will be made available to other investors.

### Procedure for when all available credits have been allocated:

- If a Tax Credit Certificate Application is submitted after all the available credits (in a year) have been allocated, it will be placed on a waiting list.
- Applications on the waiting list will be processed in the order they were submitted, **once funds are available at the start of the next fiscal year.**

# Investment Requirements

## Eligible Investment Criteria:

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

- Equity shares must be directly issued from the startup business to the eligible investor (individual, corporation, VCC or limited partnership);
- Equity shares should not come with special rights or restrictions;
  - For a list of prohibited rights or restrictions, please see Section 5 of the *STSI Regulations*;
- An investment is **not** eligible, if it would allow an investor to own shares carrying 50% or more of the voting rights for the election of directors;
- An investment **cannot** be made by an individual, corporation, VCC shareholder or limited partner who disposed of shares in the startup in the two years preceding the date of investment; and,
- Founders are not to eligible to receive a tax credit for investing in their own company:
  - A founder is classified as someone who owns shares carrying 50% or more of the voting rights of the ESB.

## Holding Period:

An investment in an ESB must be held for **two years**. All investors (individuals, corporations, VCC shareholders and limited partners) are subject to this holding period.

Not complying with the holding period will result in the following consequences:

- **Eligible Startup Business:**  
An ESB is responsible for repaying the tax credit issued to an investor, if it redeems, acquires, or cancels the investor's equity share within two years of the date of investment.
- **Individual or Corporate Investor:**  
If an individual or corporate investor disposes of an equity share within 2 years of the date of investment, they must repay their tax credit.
- **Venture Capital Corporation:**  
A VCC is responsible for repaying the tax credits issued to its shareholders, if it disposes of an equity share within two years of the date of investment.
- **Limited Partnerships:**  
A limited partner must repay their tax credit if they dispose of **their interests** in a partnership within 2 years of the date that the partnership invested in the ESB.

Each limited partner must repay their tax credit if the partnership disposes of its shares in an ESB within 2 years of the date of investment.

## **Please Note:**

- 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.

## **Restrictions on Related Persons:**

All investors must comply with the restrictions on related persons. A related person includes individuals connected by blood relationship, marriage or common-law partnership, adoption, a corporation, or any two corporations, as per *The Income Tax Act, Canada*.

The following restrictions were put in place to prevent two or more related investors from using STSI to perform a hostile takeover of an ESB:

- **Individual or Corporate Investor:**

An investor cannot own shares, either directly or in conjunction with a related person(s), carrying 50 percent or more of the voting rights of an ESB. This means two or more related investors cannot come together to own more than 50 percent of the shares of an ESB.

- **Venture Capital Corporations:**

A VCC cannot invest in an ESB if it or any of its shareholders would own shares, either directly or in conjunction with a related person, carrying 50 percent or more of the voting rights of the ESB.

A VCC cannot make an investment if an affiliate, director or officer of the ESB has provided any financial assistance to a related person of the VCC.

- **Limited Partnerships:**

A limited partnership cannot invest in an ESB if it or any of its partners would own shares, either directly or in conjunction with a related person, carrying 50 percent or more of the voting rights of the ESB.

# Ineligible Use of Funds

**An ESB must not use equity capital (raised under the STSI program) for any of the following purposes:**

- Lending;
- Purchasing real property, unless the purchase is ancillary to the business activities of the eligible start-up business;
- Depositing in a high interest savings account;
- Acquiring Guaranteed Investment Certificates;
- Acquiring or trading in securities not otherwise permitted by the STSI Act and Regulations;
- Purchasing goods or services from the ESB's eligible investors (including VCC shareholders and the limited partners), at a price other than fair market value;
- Paying a debt obligation, unless that payment is considered necessary by the Minister for the financial viability of the eligible start-up business;
- Purchasing or redeeming previously-issued shares of the eligible start-up business or its affiliates (within two years of the date of purchase);
- Paying dividends;
- Retiring any part of a liability to a shareholder of the eligible start-up business or one of its affiliates;
- Funding all or part of the purchase of any assets of a proprietorship, partnership, joint venture, trust or corporation at a price greater than fair market value.

# Proof of Investment Requirements

Within **40 days** of the approval of the Tax Credit Certificate Application, an ESB must submit proof that the investment has been received.

Proof must come in the following two forms:

## 1. A copy of the investor's cheque or deposit slip:

- The cheque must clearly state the name of the investor and the ESB:
  - If the investor's name is not clearly stated, please submit a bank statement from the investor showing the funds being withdrawn from their account.
- Cheques must come from an account owned by the eligible investor. If a cheque is written under the name of a spouse, **proof of a joint account must be submitted.**
- If the cheque is not from the investor's personal account, a clear audit trail must be provided that proves the funds came from the investor.
- In the case of a wire transfer:
  - Documentation of the wire transfer (wire detail) must be submitted showing:
    - The funds originated from the investor.
    - The ESB was the recipient.

## 2. A bank statement showing the investment was deposited into the ESB's account:

- The bank statement must show that the ESB owns the account in which the funds were deposited.
- It must be clear which deposit corresponds to which cheque:
  - Cheques from investors should be deposited individually. **A lump sum deposit into a bank account is not sufficient proof.**
- In the case of a wire transfer:
  - The bank statement must demonstrate that the ESB received the wire transfer
- If an escrow account was used:
  - Submit documentation that shows the funds were deposited into the escrow account.
  - Submit documentation that shows the funds from the escrow account were transferred and deposited into an account held by the ESB.

### Please Note:

- Proof of investment documentation must come from a third party (i.e., The bank) in order to be approved.
- Failing to comply with these requirements will negatively impact/slow down the approval process.

# Program Structure and Application Process

## Eligible Start-up Businesses:

### **Step 1: Create a user account through the Online Application Portal:**

- Go to the [Online Application Portal](#).
- Create an account with your first name, email address, and password.

### **Step 2: Register as an Eligible Start-up Business:**

- Once you sign up, you will be directed to the STSI Forms page.
- From there, choose the *Technology Company Application* on the left-hand side of the page.
- Fill out the application. You may save the form at any point and return to it.
- Once the application is submitted, you will receive an email confirming that the form has been received.
- The application will undergo an assessment (approximately 4-6 weeks):
  - Processing times can range longer than 4-6 weeks when unforeseen issues arise during the assessment.
- If all the requirements are met, the ESB will receive a **Certificate of Eligibility** from the Program Administrator.

## Documents Required Upon Registration

- Shareholder Registry (that specifies the percentage of shares held by each shareholder)
- Most recent Profile Report from the Information Services Corporation (ISC)
- Articles of Incorporation
- Statements including:
  - The ESB's most recently completed year-end financial statements (if available)
  - The ESB's most recent income tax return and notice of assessment (if available)
- Business Plan
- Pitch Deck

### **Please Note:**

- ESB's should be as detailed as possible in their eligibility applications. Applications that lack detail often face delays in the assessment process and are less likely to be approved.
- If additional information is required to complete the assessment, the Program Administrator will contact the ESB.

### **Step 3: Raise Equity Capital:**

- The ESB will seek investment capital from an eligible investor.
- When a willing investor has been identified, a term sheet or subscription agreement should be signed between the investor and the ESB:

### **Step 4: Apply for a Tax Credit Certificate:**

- The ESB will fill out a [Tax Credit Certificate Application](#) on behalf of its investor(s).
- The ESB will submit the following documents to [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca):
  - Tax Credit Certificate Application
  - Updated shareholder registry (must show the percentage of shares that each investor will receive).
  - A signed subscription agreement or term sheet
- If all the requirements are met, the ESB will receive a **Tax Credit Certificate Application Approval Letter**.
- The ESB will have 30 days from the approval of the Tax Credit Certificate Application to receive investment.
- If the investment is not received within 30 days, the approval will expire and the ESB must submit another Tax Credit Certificate Application.

### **Please Note:**

- It is highly recommended that ESB's submit their proof of investment documentation at the same time as the Tax Credit Certificate Application. For more information on this, please see step 5 below.
  - This will significantly reduce the time it takes for credits to be approved.
- For rolling rounds, an ESB must submit a Tax Credit Certificate Application for each round of investment.
- A Tax Credit Certificate Application **will not be accepted** if any of the investors on the application have not applied to the program.
- The name of the investor on the Tax Credit Certificate Application, must match the name that is on the subscription agreement. Any discrepancies in the documentation will slow down the approval process.

## Step 5: Proof of Investment:

- Once the Tax Credit Certificate Application has been approved, the ESB will have **40 days** to submit proof that the investment has been received.
- If sufficient proof is not provided within 40 days, the Tax Credit Certificate Application **will be denied and removed from the processing queue**. The ESB will have to re-submit the application.

### Proof of Investment:

#### Proof of investment must come in the following two forms:

1. A copy of the investor's cheque or a deposit slip provided by the bank; **and**,
2. A bank statement showing the investment was deposited into the ESB's account.

For a complete overview of the requirements for proof of investment, please refer to page 10 of the Program Guide. Failing to comply with these requirements will negatively impact/slow the approval process.

#### Please Note:

- Proof of investment documentation can be submitted at the same time as a Tax Credit Certificate Application or after the Tax Credit Certificate Application Approval Letter has been issued.
- Proof of investment documentation must come from a third party (i.e., the bank) in order to be approved.
- On the proof of deposit documents, it must be clear which deposit corresponds to which investment:
  - **A lump sum deposit into a bank account is not sufficient proof.**
- Cheques must come from an account owned by the eligible investor. If a cheque is written under the name of a spouse, **proof of a joint account must be submitted.**
- If the cheque is not from the investor's personal account, a clear audit trail must be provided that proves the funds came from the investor.
- In the case of a wire transfer:
  - Documentation of the wire transfer (wire detail) must be submitted showing:
    - The funds originated from the investor.
    - The ESB was the recipient.
- If an escrow account is used:
  - Submit documentation showing that the funds were deposited into the escrow account.
  - Submit documentation showing that the funds from the escrow account were transferred and deposited into an account held by the ESB.

## Step 6: Tax Credit Certificate Approval:

- Once the Program Administrator has received satisfactory proof of investment, a **Tax Credit Certificate Approval Letter** will be issued to the ESB.
- The ESB will distribute this letter to its investors:
  - This letter is **NOT** the tax credit certificate. Its purpose is to notify the investor that they have been approved to receive a certificate in December of that year.

## Step 7: Delivery of Tax Credit Certificates:

- Tax credit certificates will be distributed **in December**:
  - Certificates issued for investments **made in the previous calendar year**, will be sent to the ESB immediately rather than being held until December.
- All certificates will be sent to the ESB via email.
- The ESB is responsible for distributing the certificates to its investors.

## Individual or Corporate Investors:

### Step 1: Create a user account through the Online Application Portal:

- Go to the [Online Application Portal](#).
- Create an account with your first name, email address, and password.

### Step 2: Register as an Investor:

- Once you sign up, you will be directed to the STSI Forms page.
- From there, choose the *Investor Application* on the left-hand side of the page.
- Fill out the application. You may save the form at any point and return to it.
- Once the application is submitted, it will undergo an assessment (approximately 1 week).
  - Processing times can range longer than 1 week when unforeseen issues arise during the assessment.
- If all the requirements are met, the investor will receive a notification of eligibility from the Program Administrator.

### Please Note:

- Only one taxpayer's name can be listed on the application.
- Spouses cannot apply using the same application form. Each spouse must submit their own application.

## Documents Required Upon Registration:

- Corporate investors will be required to submit the following:
  - Articles of Incorporation
  - Shareholder Registry
- Individual investors will not be required to provide additional documentation.

### Step 3: Seek Eligible Start-up Businesses:

- The investor will seek eligible startups (ESB) to invest in.
- Once an ESB is found, a term sheet or subscription agreement should be signed between the investor and the ESB:

#### Please Note:

- A tax credit certificate **cannot** be shared between two spouses. If both spouses wish to receive a credit, they each must individually invest in the ESB.

### Step 4: Apply for a Tax Credit Certificate:

- The ESB will fill out a [Tax Credit Certificate Application](#) on behalf of its investor(s).
- If all the requirements are met, the ESB will receive a **Tax Credit Certificate Application Approval Letter**.
- The ESB will have 30 days from the approval of the Tax Credit Certificate Application to receive investment.
- If the investment is not received within 30 days, the approval will expire and the ESB must submit another Tax Credit Certificate Application.

### Step 5: Proof of Investment:

- Once the Tax Credit Certificate Application has been approved, the ESB will have **40 days** to submit proof that the investment has been received.

- If sufficient proof is not provided within 40 days, the Tax Credit Certificate Application **will be denied and removed from the processing queue**. The ESB will have to re-submit the Tax Credit Certificate Application.

## Proof of Investment:

### Proof of investment must come in the following two forms:

1. A copy of the investor's cheque or a deposit slip provided by the bank; **and**,
2. A bank statement showing the investment was deposited into the ESB's account.

For a complete overview of the requirements for proof of investment, please refer to page 10 of the Program Guide. Failing to comply with these requirements will negatively impact/slow the approval process.

### Please Note:

- The cheque must clearly state the name of the investor and the ESB:
  - If the investor's name is not clearly stated, the investor must provide a bank statement that shows the funds being withdrawn from their account.
- Cheques must come from an account owned by the eligible investor. If a cheque is written under the name of a spouse, **proof of a joint account must be submitted**.
- If the cheque is not from the investor's personal account, a clear audit trail must be provided that proves the funds came from the investor.

### Step 6: Tax Credit Certificate Approval:

- Once the Program Administrator has received satisfactory proof of investment, a **Tax Credit Certificate Approval Letter** will be issued to the ESB.
- The ESB will distribute this letter to its investors:
  - This letter is **NOT** the tax credit certificate. Its purpose is to notify the investor that they have been approved to receive a certificate in December of that year.

### Step 7: Delivery of Tax Credit Certificates:

- Tax credit certificates will be distributed **in December**:
  - Certificates issued for investments **made in the previous calendar year**, will be sent to the ESB immediately rather than being held until December.
- All certificates will be sent to the ESB via email.
- The ESB is responsible for distributing the certificates to its investors.

## **Please Note:**

- A tax credit certificate cannot be shared or split between two investors (or spouses). Only one taxpayer's name can appear on the certificate.
- 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.
- Investors will receive one tax credit certificate per ESB they invest in:
  - If an investor makes multiple investments in the same ESB over the course of one year, those investments will be added together on one tax credit certificate.
  - The investor's rebate will be calculated from the combined investment.

## **Venture Capital Corporations (VCC):**

### **Step 1: Create a user account through the Online Application Portal:**

- A VCC will apply to the program on behalf of its shareholders.
- To apply, a VCC must go to the [Online Application Portal](#).
- Create an account with your first name, email address, and password.

### **Step 2: Register as a Venture Capital Corporation:**

- Once you sign up, you will be directed to the STSI Forms page.
- From there, choose the *Investor Application* on the left-hand side of the page.
- Fill out the application. You may save the form at any point and return to it.
- Once the application is submitted, it will undergo an assessment (approximately one week):
  - Processing times can range longer than 1 week when unforeseen issues arise during the assessment.
- If all the requirements are met, the VCC will receive a notification of eligibility from the Program Administrator.

## **Documents Required Upon Registration:**

- Articles of Incorporation
- Shareholder Registry
- A list outlining the percentage of shares held by each shareholder
- Share certificates for each shareholder

### Step 3: Seek Eligible Start-up Businesses:

- The VCC will seek eligible startups (ESB) to invest in.
- Once an ESB is found, a term sheet or subscription agreement should be signed between the VCC and ESB:

### Step 4: Apply for a Tax Credit Certificate:

- The VCC will fill out a [Tax Credit Certificate Application](#) on behalf of its shareholders.
  - The ESB must also submit a Tax Credit Application for the VCC's investment. The applications will be matched up while being processed.
  - The VCC's investment will not be approved until it and ESB have submitted their respective Tax Credit Certificate Applications.
- The VCC will then submit the following documents to [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca):
  - Tax Credit Certificate Application
  - A signed term sheet or subscription agreement
  - A document outlining each shareholder's proportion of the total investment (a template will be posted on the website)
- If all the requirements are met, the VCC and the ESB will receive a **Tax Credit Certificate Application Approval Letter**.
- The ESB will have 30 days from the approval of the Tax Credit Certificate Application to receive the investment.
- If the investment is not received within 30 days, the approval will expire and the ESB must submit another Tax Credit Certificate Application.

### Step 5: Proof of Investment:

- Once the Tax Credit Certificate Application has been approved, the ESB will have **40 days** to submit proof that the investment has been received.
- If sufficient proof is not provided within 40 days, the Tax Credit Certificate Application **will be denied and removed from the processing queue**. The ESB will have to re-submit the application.
  - The VCC's investment will not be approved until the ESB submits sufficient proof of investment.

## Proof of Investment:

### Proof of investment must come in the following two forms:

1. A copy of the VCC's cheque or a deposit slip provided by the bank; **and**,
2. A bank statement showing the investment was deposited into the ESB's account

For an overview of the requirements for proof of investment, please refer to page 10 of the Program Guide. Failing to comply with these requirements will negatively impact/slow the approval process.

### Step 6: Tax Credit Certificate Approval:

- Once the Program Administrator has received satisfactory proof of investment, a **Tax Credit Certificate Approval Letter** will be issued for each shareholder.
- The VCC will distribute these letters to its shareholders:
  - This letter is **NOT** the Tax credit certificate. Its purpose is to notify each shareholder that they have been approved to receive a certificate in December of that year.

### Step 7: Delivery of Tax Credit Certificates:

- Tax credit certificates will be distributed **in December**:
  - Certificates issued for investments **made in the previous calendar year**, will be sent to the VCC immediately rather than being held until December.
- All certificates will be sent to the VCC via email.
- The VCC is responsible for distributing the certificates to its shareholders.

### Please Note:

- 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, a shareholder who is issued a certificate in 2020 for an investment made in 2019, will be able to claim the credit on their 2019 taxes.
- A shareholder will receive one tax credit certificate per ESB they invest in:
  - If a shareholder makes multiple investments in the same ESB over the course of one year, those investments will be added together on one tax credit certificate.
  - The shareholder's rebate will be calculated from the combined investment.

## **Limited Partnerships:**

### **Step 1: Create a user account through the Online Application Portal:**

- A General Partner (GP) will apply to the program on behalf of its limited partners.
- To apply, a GP must go to the [Online Application Portal](#).
- Create an account with your first name, email address, and password.

### **Step 2: Register as a limited partnership:**

- 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 of the page.
- Fill out the application. You may save the form at any point and return to it.
- Once the application is submitted, it will undergo an assessment (approximately one week).
  - When unforeseen issues arise during the assessment, processing times can range longer than one week.
- If all the requirements are met, the GP will receive a notification of eligibility from the Program Administrator.

## **Documents Required Upon Registration:**

- Signed limited partnership agreement;
- Declaration/Amended declaration of limited partnership;
  - This document must outline the capital contributions and ownership interests of all the limited partners;
- Contact information for all the limited partners (must include their mailing address, city, postal code and email address; and,
- Articles of Incorporation (for the General Partner)

### **Step 3: Seek Eligible Start-up Businesses:**

- The limited partnership will seek eligible startups (ESB) to invest in.
- Once an ESB is found, a term sheet or subscription agreement should be signed between the partnership and the ESB.

## Step 4: Apply for a Tax Credit Certificate:

- The GP will fill out a [Tax Credit Certificate Application](#) on behalf of its partners.
  - The ESB must also submit a Tax Credit Application for the limited partnership's investment. The applications will be matched up while being processed.
  - The limited partnership's investment will not be approved until it and ESB have submitted their respective Tax Credit Certificate Applications.
- The GP will submit the following documents to [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca):
  - Tax Credit Certificate Application
  - A signed term sheet or subscription agreement
  - An update declaration/amended declaration of limited partnership
  - A document outlining each partner's proportion of the total investment (a template will be posted on the website)
- If all the requirements are met, the limited partnership and ESB will receive a **Tax Credit Certificate Application Approval Letter** (within 15 days).
- The ESB will have 30 days from the approval of the Tax Credit Certificate Application to receive the investment.
- If the investment is not received within 30 days, the approval will expire and the ESB must submit another Tax Credit Certificate Application.

## Step 5: Proof of Investment:

- Once the Tax Credit Certificate Application has been approved, the ESB will have **40 days** to submit proof that the investment has been received.
- If sufficient proof is not provided within 40 days, the Tax Credit Certificate Application **will be denied and removed from the processing queue**. The ESB will have to re-submit the application.
  - The limited partnership's investment will not be approved until the ESB submits sufficient proof of investment.

### Proof of Investment:

#### Proof of investment must come in the following two forms:

1. A copy of the partnership's cheque or a deposit slip provided by the bank; **and**,
2. A bank statement showing the investment was deposited into the ESB's account.

For a complete overview of the requirements for proof of investment, please refer to page 10 of the Program Guide. Failing to comply with these requirements will negatively impact/slow the approval process.

## Step 6: Tax Credit Certificate Approval:

- Once the Program Administrator has received satisfactory proof of investment, a **Tax Credit Certificate Approval Letter** will be issued for each limited partner.
- The GP will distribute these letters to the limited partners:
  - This letter is **NOT** the Tax Credit Certificate. Its purpose is to notify each partner that they have been approved to receive a certificate in December of that year.

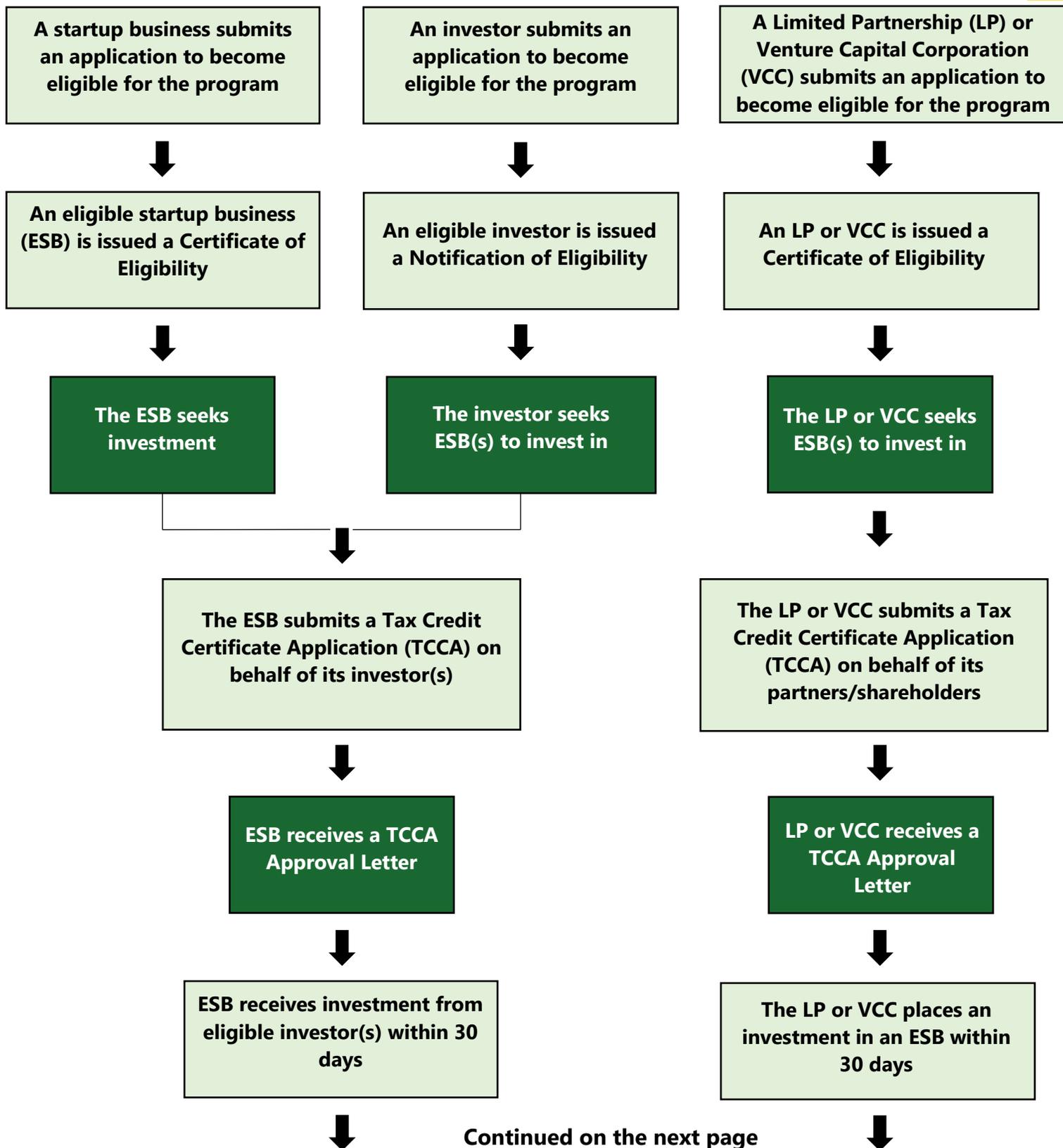
## Step 7: Delivery of Tax Credit Certificates:

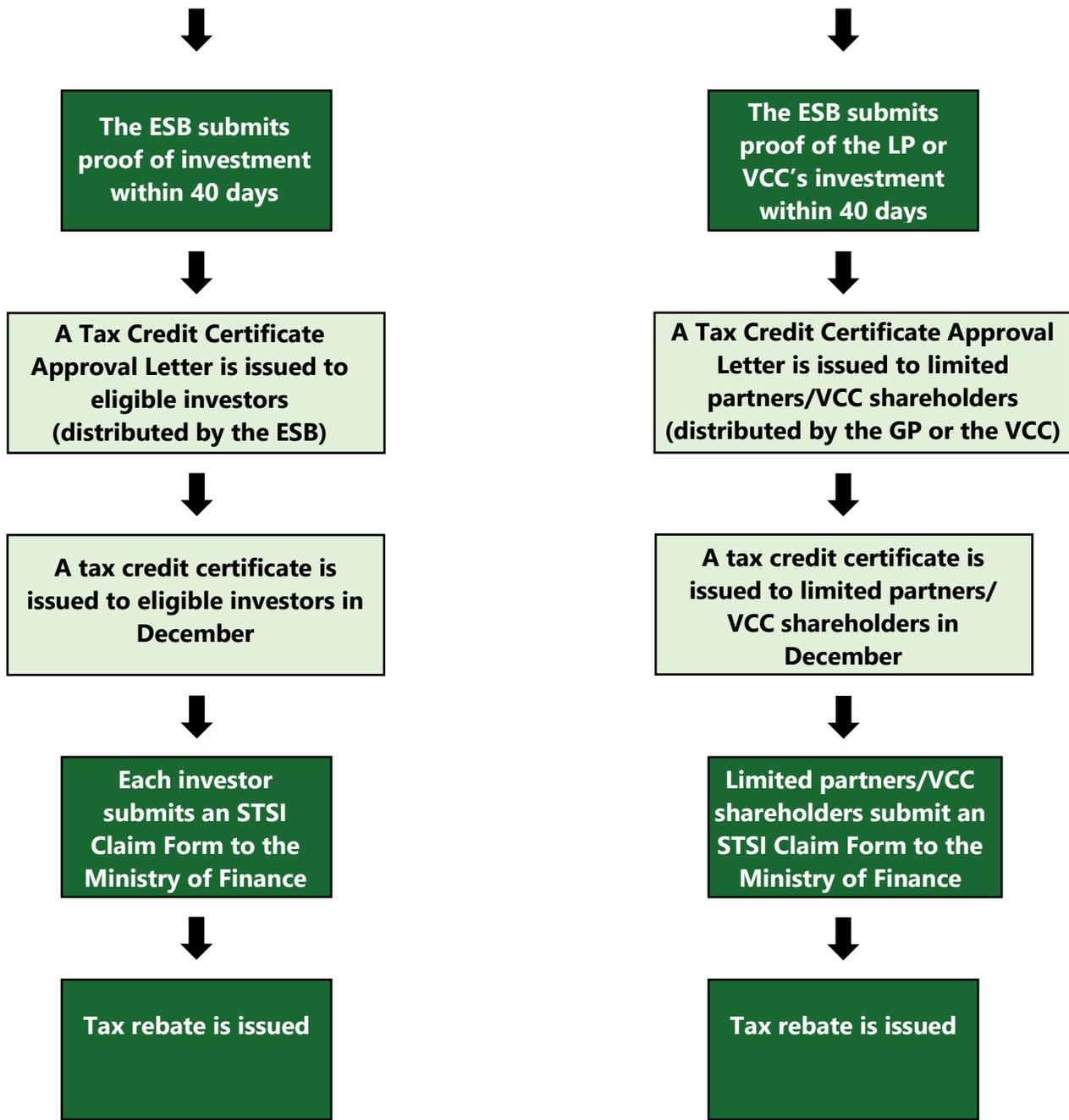
- Tax credit certificates will be distributed **in December**:
  - Certificates issued for investments **made in the previous calendar year**, will be sent to the GP immediately rather than being held until December.
- All certificates will be sent to the GP via email.
- The GP is responsible for distributing the certificates to its limited partners.

## Please Note:

- 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, a limited partner who is issued a certificate in 2020 for an investment made in 2019, will be able to claim the credit on their 2019 taxes.
- A limited partner will receive one tax credit certificate per ESB they invest in:
  - If a limited partner makes multiple investments in the same ESB over the course of one year, those investments will be added together on one tax credit certificate.
  - The partner's rebate will be calculated from the combined investment.

# Application Process Flow Chart





# How to Claim the Tax Credit

## Steps for claiming approved tax credits:

**Step 1:** Receive a tax credit certificate from Innovation Saskatchewan.

**Step 2:** File your personal or corporate income tax return for the tax year in which the investment was made.

**Step 3:** Once you have received a Notice of Assessment from the Canada Revenue Agency, complete an STSI Claim Form. This form is available at:

- <https://innovationsask.ca/technology/stsi/claiming-the-tax-credit>

**Step 4:** Submit the following documents to the Ministry of Finance:

- Tax Credit Certificate;
- STSI Claim Form; and,
- Notice of Assessment from the Canada Revenue Agency

**Step 5:** The Ministry of Finance will verify the claim and provide a rebate calculation in accordance with the program legislation.

## STSI Claim Forms and supporting documentation can be:

Emailed to: [STSI.claim@gov.sk.ca](mailto:STSI.claim@gov.sk.ca)

Or

Mailed to: Ministry of Finance  
Revenue Division  
PO Box 200  
REGINA SK S4P 1Z6

## Processing Time for Claim Forms:

- The Ministry of Finance is committed to processing STSI claims according to the Taxpayer Service Commitments and Standards Code.
- To obtain a refund, an investor is required to provide **complete** and **accurate** information regarding their claim.
- Once a refund amount has been established, it will be processed **within 21 business days**.
- If your refund is not paid within 21 days, please contact the Program Administrator at [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca)
- If your refund claim is denied, you will be notified of the reason by letter.

# Reporting Requirements

## Reporting requirements for Eligible Start-up Businesses:

- Within six months of its fiscal year end, an ESB must complete an [Annual Return](#) and file it with the Program Administrator.
- It must include the following:
  - Shareholder Registry;
  - Securities Register (if available);
  - Most recent financial statements; and,
  - Most recent Annual Return filed with the Corporate Registry (ISC).
- 30 days prior to the submission deadline, ESBs will be sent a reminder to complete the Annual Return.

## Reporting requirements for Venture Capital Corporations:

- Within six months of its fiscal year end, a VCC must complete an [Annual Return](#) and file it with the Program Administrator.
- It must include the following:
  - Shareholder Registry
- 30 days prior to the submission deadline, VCCs will be sent a reminder to complete the Annual Return.

## Reporting Requirements for Limited Partnerships:

- Within six months of its fiscal year end, a GP must complete an [Annual Return](#) and file it with the Program Administrator.
- It must include the following:
  - Most recent declaration/amended declaration of limited partnership.
- 30 days prior to the submission deadline, the GP will be sent a reminder to complete the Annual Return.

## Please Note:

- Annual Returns must be:
  - Prepared in accordance with generally accepted accounting principles, published by The Chartered Professional Accountants of Canada.
  - Reviewed by a member in good standing of a recognized accounting profession.
- An ESB, VCC and limited partnership must submit an Annual Return in the two consecutive calendar years following the date of its most recent investment (under the program).

# Additional Information

**For any questions regarding the program, please contact the Program Administrator:**

- [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca)
- 1-306-933-7222

**Or visit the STSI website:**

- <https://innovationsask.ca/technology/stsi>