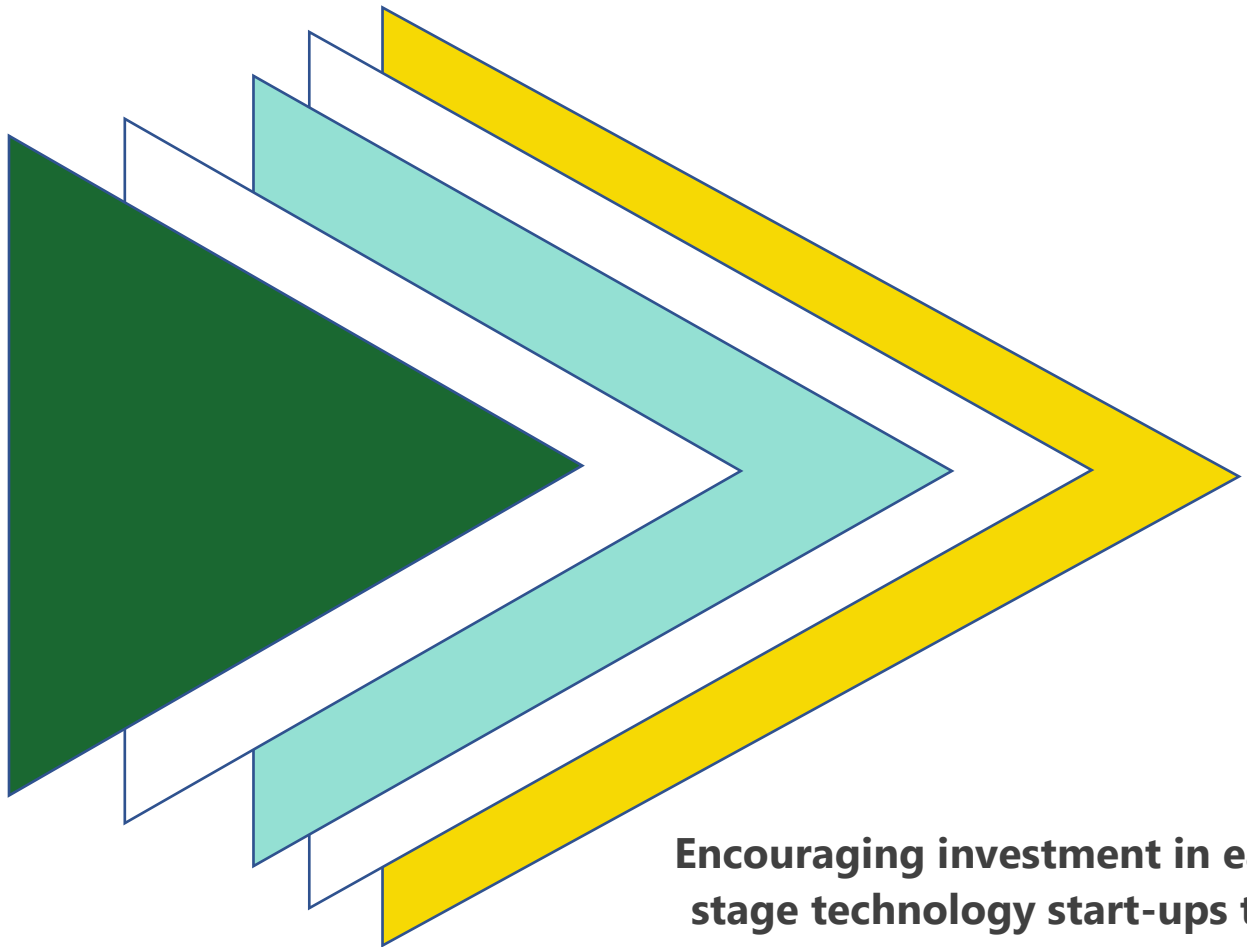


# Saskatchewan Technology Start-up Incentive

## Program Guide



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

# Table of Contents

- Program Overview..... 2
- Eligibility Criteria ..... 3
- Related Person(s) Requirements ..... 4
- Funding ..... 5
- Stacking Policy ..... 5
- Ineligible Use of Funds..... 6
- Program Retroactivity..... 6
- Program Structure and Application Process ..... 7
  - Steps for Eligible Start-up Businesses** ..... 7
  - Steps for Investors**..... 9
  - Steps for Venture Capital Corporations** ..... 11
- Application Process Flow Chart ..... 14
- How to Claim the Tax Credit..... 16
- Reporting Requirements ..... 17
- Additional Information..... 18

# Program Overview

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

The STSI program offers a non-refundable 45 percent tax credit to individuals, corporate actors or Venture Capital Corporations (VCCs) that invest in Eligible Technology-based Start-up Businesses (ESBs).

An investor can earn a maximum of \$225,000 in tax credits per investment in an ESB (annually) and claim a maximum of \$140,000 per tax year. An investor can carry tax credits 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-serve basis and has a budget of \$7 million over two-and-a-half-years.

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

1. An ESB, Investor or VCC creates a user profile through the STSI Online Application Portal.
2. An ESB, Investor or VCC completes and submits their respective application form.
3. Once the application has been approved, an ESB seeks investment capital from Eligible Investor(s) or a VCC. When a willing Eligible Investor/VCC has been identified, a Term Sheet or Letter of Intent (LOI) is created and agreed upon between the ESB and Eligible Investor/VCC.
4. The ESB completes a Tax Credit Certificate Application (TCCA) on behalf of its investor(s)/VCC. The ESB will submit the TCCA, an updated Shareholder Registry and the Term Sheet or LOI to the Program Administrator. Once the TCCA is approved, the ESB will have 40 days to provide proof to the STSI Administrator that the investment has been received (refer to page 8 for further details).
  - VCCs are also required to submit a TCCA for their investment in an ESB.
5. Once satisfactory proof has been provided, the STSI Administrator will issue a Tax Credit Certificate Approval Letter to the ESB/VCC, who will distribute the letter to individual investors.
6. All Tax Credit Certificates will be distributed in December on the date specified in the Tax Credit Certificate Approval Letter. Tax Credit Certificates will be issued to the designated ESB/VCC, who will distribute the certificates to individual investors.

ESBs and VCCs whose investors/shareholders have received Tax Credit Certificates, are required to submit an Annual Return.

# Eligibility Criteria

## Start-up Businesses:

In order to register as an Eligible Start-up Business under STSI, a business must:

- have fewer than 50 employees, including full time, part time, and contract workers;
- at least 50 percent of employees must be based in Saskatchewan;
- have a permanent establishment in Saskatchewan;
- have not previously raised more than \$5 million in equity capital; and,
- must 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 as long as a company is actively developing a novel technology as a new product or service.

## Please note:

- For registration, the ESB will be required to produce a copy of its most recent annual financial statements, and a financial forecast if available.
- If an ESB has not received investment within two years of becoming eligible under STSI, the ESB must reapply to the STSI program to remain eligible.

## Investors:

Both individuals and corporations are eligible to invest under STSI. In order to be eligible, they must be:

- accredited investors (i.e., Angel investors).
  - For an outline of who is classified as an accredited investor, please see the links at the bottom of the STSI webpage (<https://innovationsask.ca/technology/stsi>)
- corporate investors;
- venture capital corporations; or,
- close family, friends, and business associates of the promoters of the ESB, provided they satisfy the exemption requirements laid out in The Securities Act, 1988 as specified by the Financial and Consumer Affairs Authority of Saskatchewan.
  - For an outline of the exemption requirements, please see the links at the bottom of the STSI webpage (<https://innovationsask.ca/technology/stsi>)

## Please note:

- Founders are not eligible to invest in their own company.
- An investment into an ESB must be held for two years from the date of the share issuance. If the investor's equity share is **sold or transferred** to a new owner within the hold period, the tax credit reimbursement previously granted to the investor **must be repaid**.
- Equity shares may be direct equity in the ESB or may be other convertible instruments such as Convertible Notes or simple agreement for future equity (SAFE) notes. It is defined as a share or class of shares, whether or not the share carries voting rights

## Venture Capital Corporations:

In order to be eligible, a VCC must:

- have a mechanism to track eligible investor contributions to invested ESBs;
- have equity capital of at least \$25,000 at the time of registration; and,
- have a share structure consisting of common shares with no special rights or restrictions and/or common shares having special rights relating only to the redemption of the shares by the corporation.

### Please note:

- An existing VCC may need to establish a separate fund for the purposes of raising funds to invest in an ESB.
- The funds intended for ESB investment may not receive tax credits from other incentive programs.

## Related Person Requirements: Investors and VCC Shareholders

- **An investor cannot own shares, 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.**
  - **A related person includes: individuals connected by blood relationship, marriage or common-law partnership or adoption, a corporation, or any two corporations, as per *The Income Tax Act, Canada*.**
- **This requirement was put in place to prevent two or more related investors from using the STSI program to perform a hostile takeover of an ESB.**
- **This requirement also applies to VCC shareholders that are related to someone (outside the VCC) who owns shares in the ESB that is being invested in.**

# Funding

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

## **For individual or corporate investors:**

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

## **For an Eligible Start-up Business:**

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

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

- A VCC cannot take up more than 33 percent of the available tax credit funds per year.
- A VCC's investments in an ESB are not eligible to receive tax credits from other incentive programs.
- There is a maximum of \$225,000 in tax credits that can be earned per investor in an ESB.
- There is no limit on the amount an investor can invest into an ESB.
- The maximum tax credit that an investor can claim in a tax year is \$140,000.
- Tax credits may be carried forward for up to four years. For example, an investor may receive a \$140,000 tax credit in year one and \$85,000 tax credit in year two.

## **Stacking Policy**

- **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 funding stacked will be calculated by adding the contribution being requested under SAIF to the total amount of tax rebates the ESB is slated to receive under STSI. It is highly recommended that applicants applying to both SAIF and STSI contact the Program Administrator.**

# 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 Act or these regulations
- Purchasing goods or services from the eligible start-up business' eligible investors, affiliates or other related persons, other than goods or services purchased at 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
- Subject to subsection 14(1), purchasing or redeeming previously-issued shares of the eligible start-up business or its affiliates within two years after the date of issue of the equity shares
- Paying dividends
- Retiring any part of a liability to a shareholder of the eligible start-up business or one of its affiliates, or a liability to a shareholder's associate or affiliate
- Funding all or part of the purchase by the eligible start-up business of any of the assets of a proprietorship, partnership, joint venture, trust or corporation at a price that is greater than the fair market value of the assets purchased.

## Program Retroactivity

- **The STSI is retroactive to April 11, 2018. However, tech start-ups and investors having consummated investment arrangements in the interim will have to apply and qualify for STSI eligibility.**

# Program Structure and Application Process

## Eligible Start-up Business

### Step 1: Create a user account through the online application portal:

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

## Documents Required Upon Registration

- **Shareholder Registry (that specifies the percentage of shares held by each shareholder)**
- **Financial Statements including:**
  - **Most recently completed fiscal year end prepared by a certified professional**
  - **Most recent income tax return (if available)**
  - **Notice of Assessment (if available)**
- **Business Plan (if available)**
- **Pitch Deck (if available)**
- **Articles Including:**
  - **Articles of Incorporation**
  - **Company's Securities Register (if available)**



### Step 3: Raise Equity Capital

- The ESB seeks investment capital from an Eligible Investor.
- When a willing investor(s) has been identified, a Term Sheet or Letter of Intent (subscription agreement) is created and agreed upon between the ESB and investor.

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

- The ESB fills out a Tax Credit Certificate Application on behalf of its investor(s). The ESB will then submit the Tax Credit Certificate Application, an updated Shareholder Registry, and the Term Sheet or LOI to the STSI Program Administrator.
  - A Tax Credit Certificate Application can be found at:  
<https://innovationsask.ca/technology/stsi/tax-credit-certificate-application>
- Once 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 the investment from their investor(s).
  - If the investment is not received within 30 days, the investment approval will expire and the ESB must reapply for a Tax Credit Certificate.
- The ESB will have 40 days from the approval of the Tax Credit Certificate Application, to **submit proof** to the STSI Administrator that the investment has been received.

### Proof of Investment Requirements:

- **It must be clear to the STSI Program Administrator who the individual investments are coming from – a lump sum deposit into a bank account is not sufficient proof.**
- **Proof should come in the following forms:**
  - **A copy of the investor's cheque, or a deposit slip provided by the bank; and**
  - **A copy of the fund transfer or the ESB's bank statements showing the deposits have occurred.**
    - **In the case of a wire transfer, documentation of the wire transfer must be submitted**
- **The proof must come from a third party (i.e., The bank) in order to be approved.**
- **The STSI Tax Credit Certificate will only be approved if there is proof that the investment was received within 30 days.**

### Step 5: Tax Credit Certificate Approval

- Once the STSI Program Administrator has received satisfactory proof of investment, the Administrator will issue a **Tax Credit Certificate Approval Letter** to the ESB.
- The ESB will distribute this letter to the individual investors.

- This Letter is **NOT** the Tax Credit Certificate. It is a notification that an investor has been approved to receive the certificate in December of that year.

## Step 6: Delivery of Tax Credit Certificates

- All Tax Credit Certificates will be distributed **in December** on the date specified in the Tax Credit Certificate Approval Letter. The STSI Administrator will issue all Tax Credit Certificates to the ESB.
- The ESB will then distribute the Tax Credit Certificates to the individual investors.

### Please Note:

- **For rolling rounds, an ESB must apply for a Tax Credit Certificate for each round of investment they receive.**
- **ESBs will be asked to indicate whether any of the investors listed on the Tax Credit Certificate Application have disposed of shares issued by the organization (the ESB) in the two years immediately preceding the submission of the application.**
  - **This to prevent investors from abusing the program by selling off their shares prior to applying and then reinvesting in the ESB to receive the Tax Credit.**

## Investors

### Step 1: Create a user account through the online application portal:

- 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.
- To sign up, create an account with your first name, email address, and password.

### Step 2: Register as an Investor

- Once you sign up, you are directed to the STSI Forms page.
- From there, choose *Investor* on the left-hand side.
- Fill out the application form. You may save the form at any point and return to it.
- Once the application is submitted, it will undergo an assessment process (approximately 1 week).
  - Processing times can range longer than 4-6 weeks when unforeseen issues arise during the assessment.
- Once all the requirements are met, the investor will receive a notification of eligibility from the STSI Program Administrator.

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

- The investor seeks ESBs to invest in.

- Once an ESB is found, a Term Sheet or LOI is created and agreed upon.

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

- The ESB fills out a Tax Credit Certificate Application on behalf of its investor(s). The ESB will then submit the Tax Credit Certificate Application, an updated Shareholder Registry, and the Term Sheet or LOI to the STSI Program Administrator.
- Once 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 the investment from their investor(s).
  - If the investment is not received within 30 days, the investment approval will expire and the ESB must reapply for a Tax Credit Certificate.
- The ESB will have 40 days from the approval of the Tax Credit Certificate Application, to **submit proof** to the STSI Administrator that the investment has been received.

#### Proof of Investment Requirements:

- **It must be clear to the STSI Program Administrator who the individual investments are coming from – a lump sum deposit into a bank account is not sufficient proof.**
- **Proof should come in the following forms:**
  - **A copy of the investor's cheque, or a deposit slip provided by the bank; and**
  - **A copy of the fund transfer or the ESB's bank statements showing the deposits have occurred.**
    - **In the case of a wire transfer, documentation of the wire transfer must be submitted.**
- **The proof must come from a third party (i.e., The bank) in order to be approved.**
- **The STSI Tax Credit Certificate will only be approved if there is proof that the investment was received within 30 days.**

#### Step 5: Tax Credit Certificate Approval

- Once the STSI Program Administrator has received satisfactory proof of investment, the Administrator will issue a **Tax Credit Certificate Approval Letter** to the ESB.
- The ESB will distribute this letter to the individual investors.
  - This Letter is **NOT** the Tax Credit Certificate. It is a notification that an investor has been approved to receive the certificate in December of that year.

#### Step 6: Delivery of Tax Credit Certificates

- All Tax Credit Certificates will be distributed **in December** on the date specified in the Tax Credit Certificate Approval Letter. The STSI Administrator will issue all Tax Credit Certificates to the ESB.

- The ESB will then distribute the Tax Credit Certificates to the individual investors.

## Please Note:

- The rebate an investor receives will be for the tax year the *Tax Credit Certificate is issued* in (the year that is dated on the Tax Credit Certificate), not necessarily the year in which the investment was made.
  - The taxation year that the Tax Credit Certificate is issued, determines the year that the rebate will be for.
- For example, if an individual investor made an investment in 2018 but was issued the Tax Credit Certificate in 2019, the rebate would be for the 2019 tax year. This rebate would be applied for after the investor files their 2019 tax return and submits the resulting Notice of Assessment.
- Eligible Investors will receive one Tax Credit Certificate per ESB they invested in.
  - If an investor invested multiple times in one ESB (in that year) those investments will be added together on one Tax Credit Certificate.
  - The investor's rebate calculation will come from the combined investment.

## Venture Capital Corporation

### Step 1: Create a user account through the online application portal:

- 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.
- To sign up, create an account with your first name, email address, and password.

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

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

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

- The VCC seeks Eligible Start-up Business(es) (ESB) to invest in.

- Once an ESB is found, a Term Sheet or LOI is created and agreed upon.

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

- The VCC fills out a Tax Credit Certificate Application on behalf of its individual shareholders. The VCC will then submit the Tax Credit Certificate Application, an updated Shareholder Registry, and the Term Sheet or LOI for each investment (or each tranche of a rolling round of investment), to the Program Administrator.
  - The ESB must also submit a Tax Credit Certificate Application that lists the VCC as one of its investors.
- Once all the requirements are met, the VCC 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 from the VCC.
  - If the investment is not received within 30 days, the investment approval will expire and the ESB and the VCC must reapply for a Tax Credit Certificate.
- The ESB will have 40 days from the approval of the Tax Credit Certificate Application, to **submit proof** to the STSI Administrator that the investment has been received.

#### Proof of Investment Requirements:

- **It must be clear to the STSI Program Administrator who the individual investments are coming from – a lump sum deposit into a bank account is not sufficient proof.**
- **Proof should come in the following forms:**
  - **A copy of the investor’s cheque, or a deposit slip provided by the bank; and**
  - **A copy of the fund transfer or the ESB’s bank statements showing the deposits have occurred.**
    - **In the case of a wire transfer, documentation of the wire transfer must be submitted.**
- **The proof must come from a third party (i.e., The bank) in order to be approved.**
- **The STSI Tax Credit Certificate will only be approved if there is proof that the investment was received within 30 days.**

#### Step 5: Tax Credit Certificate Approval

- Once the STSI Program Administrator has received satisfactory proof of investment, the Administrator will issue a **Tax Credit Certificate Approval Letter** (for each shareholder) to the VCC.
- The VCC will distribute this letter to the individual shareholders.
  - This Letter is **NOT** the Tax Credit Certificate. It is a notification that the shareholder has been approved to receive the certificate in December of that year.

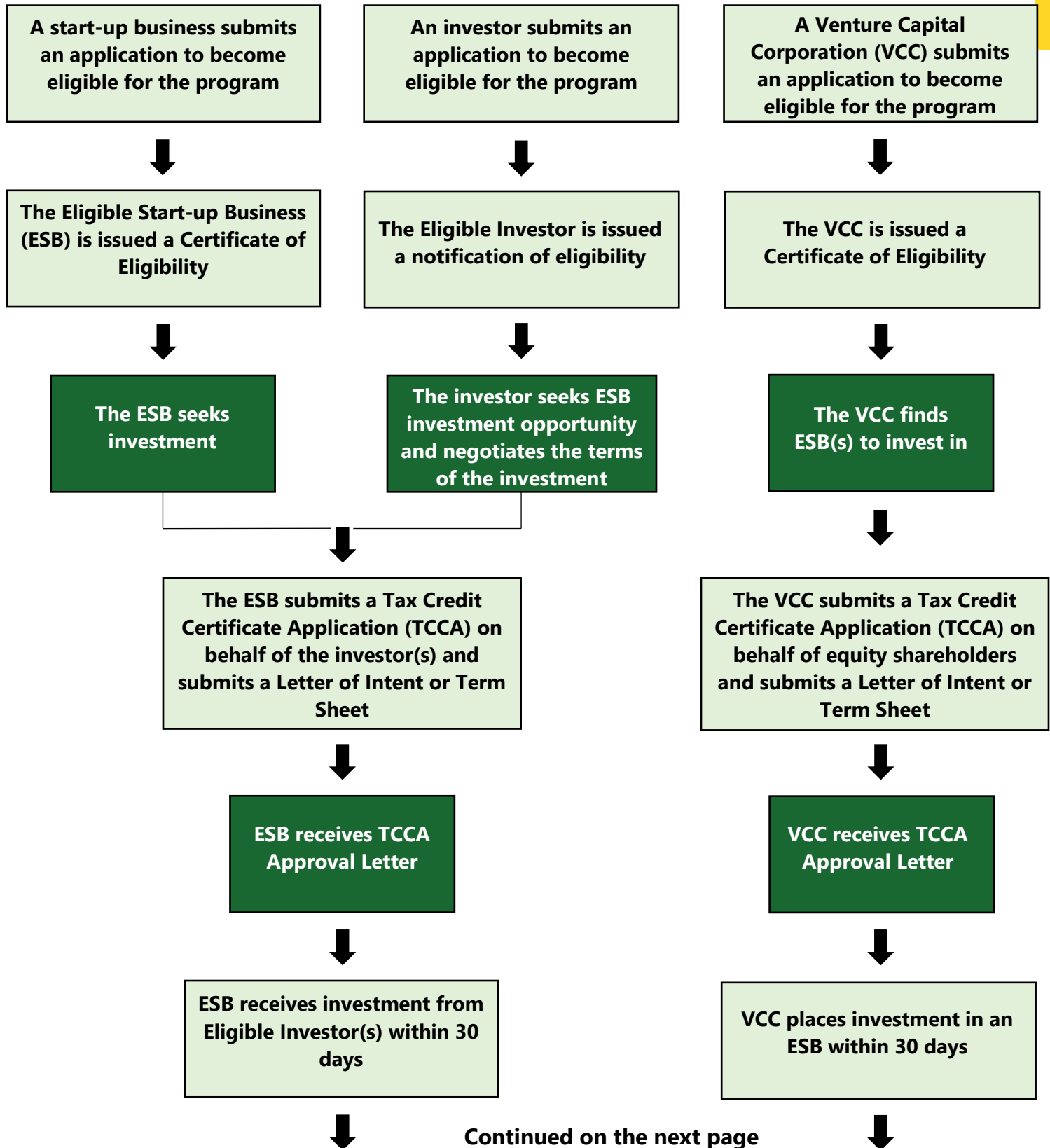
## Step 6: Delivery of Tax Credit Certificates

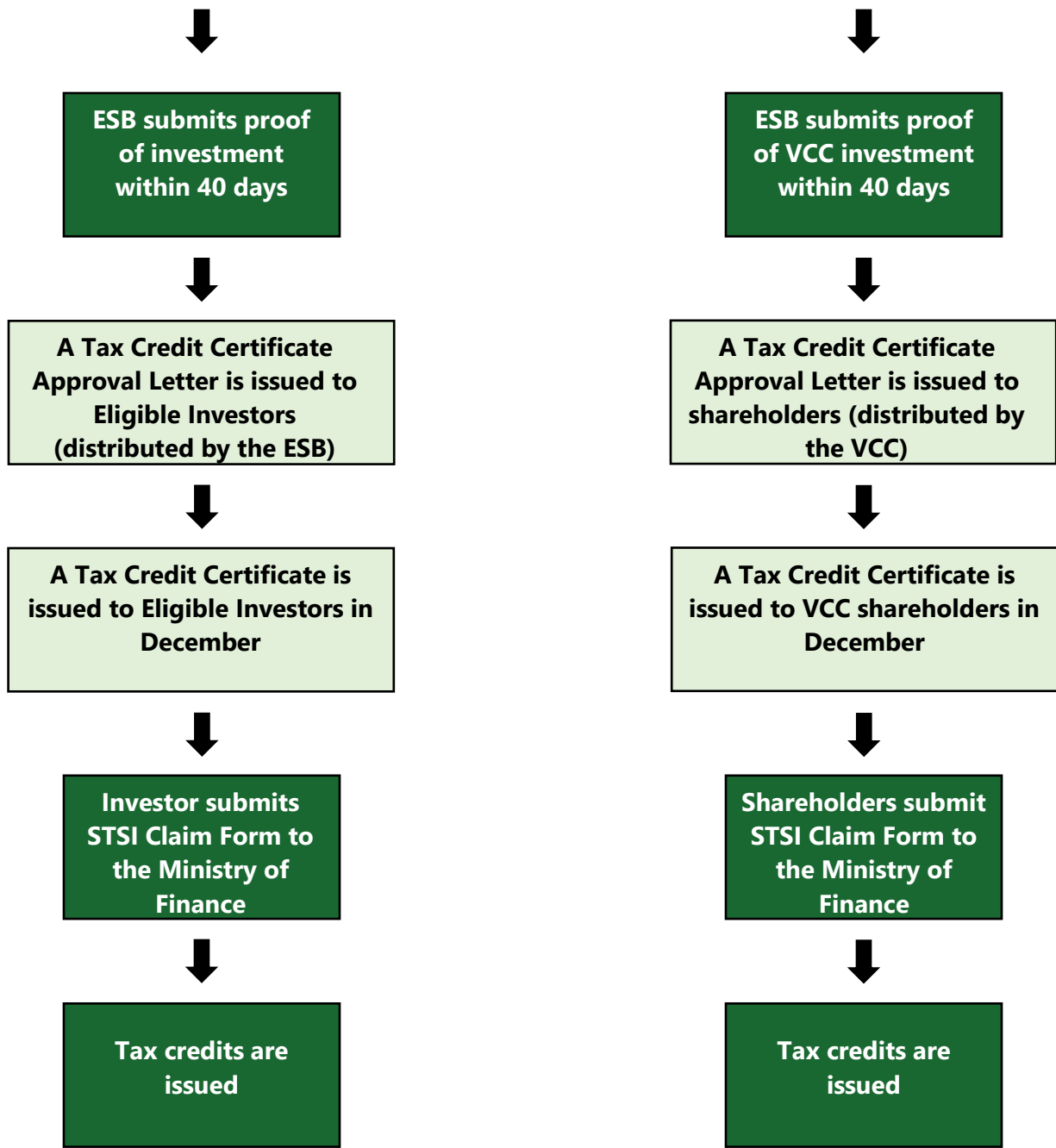
- All Tax Credit Certificates will be distributed **in December** on the date specified in the Tax Credit Certificate Approval Letter. The STSI Administrator will issue all Tax Credit Certificates to the ESB.
- The VCC will then distribute the Tax Credit Certificates to the individual shareholders.

### Please Note:

- **The rebate an investor/shareholder receives will be for the tax year the *Tax Credit Certificate is issued* in (the year that is dated on the Tax Credit Certificate), not necessarily the year in which the investment was made.**
  - **The taxation year that the Tax Credit Certificate is issued, determines the year that the rebate will be for.**
- **For example, if an individual investor made an investment in 2018 but was issued the Tax Credit Certificate in 2019, the rebate would be for the 2019 tax year. This rebate would be applied for after the investor files their 2019 tax return and submits the resulting Notice of Assessment.**
- **Only investors who hold a Saskatchewan tax base will be eligible for a tax credit under the STSI program.**
- **The VCC can be made up of outside investors, but the STSI Tax Credit will only be applicable to Saskatchewan tax payers.**
- **The STSI tax credits will be issued based on the individual amounts that individuals within the VCC invested in an ESB.**

# 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 dated on the Tax Credit Certificate).

**Step 3:** Once the return has been assessed and a Notice of Assessment from the Canada Revenue Agency has been received, complete a Saskatchewan Technology Start-up Incentive Claim Form and submit it to the Ministry of Finance.

- The form can be found at: <https://innovationsask.ca/technology/stsi/claiming-the-tax-credit>
- Include a copy of the:
  - Tax Credit Certificate(s) as issued by Innovation Saskatchewan; and,
  - a current year Notice of Assessment or Reassessment.

**Step 4:** The Ministry of Finance will verify the claim form and provide:

- a rebate calculation in accordance with program legislation; or,
- a written notice indicating that the corporation is not entitled to the rebate and the reasons for the determination.

## 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

# Reporting Requirements

## Reporting requirements for Eligible Start-up Businesses:

- Within six months of its fiscal year end, an ESB must complete an Annual Return form and file it with the STSI Program Administrator.
- The Annual Return Form can be found at:  
<https://innovationsask.ca/technology/stsi/eligible-startup-business-annual-return>
- It must include a copy of:
  - ESB Shareholder Registry
  - ESB Securities Register (if available)
  - Most recent ESB Financial Statements
  - Most recent Annual Return of the ESB filed in accordance with *The Business Corporations Act*.
- 30 days prior to the submission deadline, ESBs will be sent a reminder to complete the Annual Return.
- After the Annual Return has been processed, ESBs will receive an email notification stating whether the Return has been approved or if further action is required.

## Reporting requirements for Venture Capital Corporations

- Within six months of its fiscal year end, a VCC must complete an Annual Return Form and file it with the STSI Program Administrator.
- The Annual Return form can be found at:  
<https://innovationsask.ca/technology/stsi/eligible-startup-business-annual-return>
- It must include a copy of:
  - VCC Shareholder Registry
- 30 days prior to the submission deadline, VCCs will be sent a reminder to complete the Annual Return.
- After the Annual Return has been processed, VCCs will receive an email notification stating whether the Return has been approved or denied.
- 

## Please Note

- **Annual Returns must be:**
  - **Prepared in accordance with generally accepted accounting principles published by Chartered Professional Accountants of Canada.**
  - **Reviewed by a member in good standing of a recognized accounting profession that is regulated by an Act.**
- **An ESB or VCC must submit an Annual Return in each of the 2 consecutive calendar years following the date of its most recent issue of equity shares (in which tax credits were issued).**

# Additional Information

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

- [stsi@innovationsask.ca](mailto:stsi@innovationsask.ca)

**Or visit the STSI website:**

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