

Saskatchewan Technology Startup Incentive (STSI)



The STSI is a non-refundable 45 per cent tax credit.

Available to individual, corporate and venture capital corporations investing in eligible start-up businesses on a first-come-first served basis.

What is the STSI?

The STSI is a non-refundable 45 per cent tax credit for individual, corporate and venture capital corporations (VCCs) investing in eligible startup businesses (ESBs) on a first-come-first-served basis. An investor can earn a maximum of a \$225,000 tax credit per investment in an ESB and claim a maximum of \$140,000 per tax year.

The total amount an eligible startup business can raise under the program is \$1M.

Investors apply the credit against their Saskatchewan taxes owing and are able to carry forward the credit for four years.

Which businesses are eligible to raise capital under STSI?

- Have a permanent establishment in Saskatchewan ;
- 50 employees or less;
- Majority of employees located in the province;
- Less than \$5M total capital raised to date;

- Must be a technology-based startup, which is an entrepreneurial venture that develops new technology, or uses/combines existing technology in a new way, to create a new product, service or process.
 - 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. It can also be a technology-based product that combines existing technologies with added 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 the same to provide a professional service.

Which investors are eligible to receive the tax credit?

STSI is designed to incent investments from accredited investors, either as individuals or as investors in a VCC that is registered to participate in the program. Close family, friends and business associates of the promoters of the ESB or VCC may participate if they satisfy the exemption requirements laid out in securities legislation.

How long must an investment be held in a startup?

Investments made in an ESB must be held for a minimum of two years. 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.

How much money is available in each year for the tax credits?

In this fiscal year ending March 31, 2019, STSI will have \$1.5M available for tax credits. In the 2019-20 fiscal year, STSI will have \$2.5M available for tax credits. In 2020-21 fiscal year, STSI will have about \$3M available for tax credits. At the end of fiscal year 2020-21, the program metrics will be reviewed and it will be decided at that point if STSI will continue.

Can this incentive be used in addition to other existing incentives for the same project?

Yes, the STSI can be used in addition to other existing incentives, such as Saskatchewan's Research and Development (SR&ED) tax credit program or the Saskatchewan Commercial Innovation Incentive (SCII). It is important to note that the STSI program credits investors for investing in early stage startups while other programs like the SR&ED or SCII offset the expenditures that companies incur while conducting product research and development.

Is the STSI retroactive?

Yes, it will be retroactive to April 11, 2018, which is the day after it was announced in the 2018-19 Budget. However, tech startups and investors having consummate investment arrangements in the interim will have to apply and qualify for STSI eligibility when the program is launched in fall 2018.

What types of investments are eligible?

Equity shares are eligible for investment, including common shares, whether or not they carry voting rights, as well as convertible notes and/or safe notes.

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