# **Innovation funding now available from BDC**

Elliot Schiller

When I think of domestic manufacturing in the 21st century, I often think of the Red Queen's race in Lewis Carroll's *Through the Looking-Glass* and Alice constantly running but remaining in the same spot. "Well, in our country," said Alice, still panting a little, "you'd generally get to somewhere else if you run very fast for a long time, as we've been doing."

"A slow sort of country," replied the Queen. "Now here, you see, it takes all the running you can do to keep in the same place! If you want to get somewhere else, you must run at least twice as fast as that!"

While many governmental programs incentivize domestic manufacturing innovations, these funds are often provided long after the manufacturer has spent the funds to attempt to innovate.

The Business Development Bank of Canada (BDC), describes itself as "a financial institution owned by the Government of Canada," and "the only Canadian bank dedicated exclusively to entrepreneurs." It recently announced a new financing program for anticipated innovation tax credits. This is very good news for anyone who is innovating with the intention of creating new products or processes, or improving existing products or processes. Quite frankly, as the Red Queen observed, if you're manufacturing domestically, you're most likely in a constant innovation mode.

In previous columns, we have discussed the federal SR&ED program and related provincial R&D programs. However, many of these programs require filing along with corporate tax returns. So, R&D or other related eligible tax credit innovation initiated at the beginning of one fiscal year, might not actually receive a refundable tax credit until 22 months later (assuming filing is 6 months after the year end, and the refund cheque is received within 4 months). This is where BDC comes in with its tax credit financing.

## WHAT YOU CAN EXPECT

If you've made a previous successful SR&ED claim, you can get up to 125% of the anticipated R&D or other taxcredit-related expenses on the submitted claim. If this is your first time claiming, you can still get up to 100% of the anticipated R&D or other tax-credit-related expenses. In other words, once you've submitted your year-end tax filing, you're immediately eligible for tax credit financing.

Often, when companies are in R&D mode, they incur significantly higher labour and material costs. Once the innovation is completed, they might need extra funds to help market products which are "better" or "cheaper" or "more robust" than the competition's, so these funds come along at exactly the right time. Businesses will not have to dip into their existing lines of credit to innovate and market their innovations. BDC tax credit financing allows businesses to short-term borrow funds that they're owed and, until the funds arrive, only pay the interest on the loan.



In more frustrating circumstances, if the innovation is not the success that the manufacturer hoped for, the business, having taken a risk and failed, might find itself in a difficult short-term financial bind. Since the Federal and Provincial Governments all award R&D tax credits through the SR&ED program, even for these failed projects, they too are eligible for BDC tax credit financing.

When the funds are received, your business has the option to pay back the loan, or, transfer the amount to a term loan and use the tax credit money for more immediate or urgant business funding requirements. You can take up to three more years to pay back the term loan, and, your personal assets are not taken as collateral for the loan.

## **MORE GOOD NEWS**

Hopefully, your innovation will prove a boon for your business. In this case, if the opportunity arises and you do find yourself wanting to pay back the loan at any time prior to the three-year term, there are no fees or penalties. BDC seems to have made this as simple and straightforward as possible for you.

So, even in the most difficult scenario, if you come across a hurdle during your manufacturing process such that a technological advance must be targeted and there is uncertainty with respect to the potential success of the project (or in attempting to resolve the hurdle, you don't succeed, even if it's because the cost of success would produce a product with an unacceptable cost structure), you most likely are still eligible for innovation tax credits. And now, BDC can advance you those specific funds.

Elliot Schiller is a Director at Toronto's Teeger Schiller Inc., a company that specializes in obtaining government funding. His clients receive over \$5 million annually to support their ongoing business innovation. E-mail eschiller@teegerschiller.com, visit www.FundingHelp.ca or phone 1-888-816-0222 Ext. 102.



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#### David Teeger

#### Director

David Teeger C.A., C.A. (S.A.) graduated as a Chartered Accountant in South Africa, and upon arrival in Canada he obtained his Canadian C.A. designation and joined Richter & Associates, a management consulting firm, where he concentrated his practice on various business sectors including household goods, fashion, automotive parts, public associations, and retail chains. He performed many roles in his 15 years at Richter, including managing the professional services organization in North America and all business

operations throughout Europe.

David's professional capabilities include computer audits, feasibility studies, system analyses and assistance in the selection, negotiation and implementation of computerized solutions.



As a founding partner of Teeger Schiller Inc., he has focused his practice on consulting to management. His team of professionals has helped businesses select and successfully install a variety of ERP business solutions and

add-on systems including business intelligence solutions to give new life to existing computer systems. David's clients not only rely on him to successfully manage the implementation of their new systems, but to manage the change that occurs in their organizations as a result of the use of these new tools.

## Elliot Schiller

#### Director

Elliot Schiller, Ph.D., C.M.C. began his career as a Chemical Engineer working for Grumman Aircraft, in Long Island, New York. He obtained his Ph.D. at the University of Pittsburgh with funding from the U.S. Atomic Energy Commission, and, after being awarded a Presidential Fellowship, he went on to perform research and development activities at Brookhaven National Laboratory.

Since coming to Canada, he has primarily assisted consumer products and retail organizations in a variety of strategic management initiatives, traveling around the globe on behalf of his clients. In 1987, Elliot joined Richter & Associates, and it is here that he first met David Teeger.

As a founding partner of Teeger Schiller Inc., he has focused the SR&ED / Grant Division on obtaining grants and tax incentives for over 100 companies in the small to medium sized business sector. His team



has provided services to the discrete / processing manufacturing, material development, textiles, apparel, automotive and computer sciences sectors. Annually, Teeger Schiller Inc. secures more than \$5 million in government funding to assist its clients in having their business initiatives supported by government funding.



304 Richview Ave., Toronto, ON M5P 3G5 Tel: 1.888.816.0222 info@teegerschiller.com • www.teegerschiller.com Toronto • Montreal • New York • South Florida