

Budget 2019: What's in it for the Graphics Industry



Election year budgets are always a chance for the government in power to shower both taxpayers and businesses with presents. Nevertheless, I confess, based on past budgets, this columnist was pleasantly surprised by the renewed commitment of the Liberal government to encourage innovation in the small to medium sized (SME) business community. Let's see what's in the budget for your business.

Innovation Funding

There are two primary innovation funding programs for business in Canada, IRAP (Industrial Research Assistance Program) and SR&ED (Scientific Research and Experimental Development). Together, they make up the majority of all grants, innovation tax credits and cash provided by the federal government for all incentivized programs. Both programs have wide support amongst both the Liberal and the Progressive Conservative parties. IRAP was introduced in the 1950's and has continued to be funded by all federal governments. SR&ED was introduced in the 1990's and it too has had the commitment of both federal parties who have been in power since that introduction.

Budget 2019 increased the funding available for SMEs within the SR&ED program. Previously, if an SME earned more than \$800,000, they were not eligible for the premium 35% refund rate for their innovation projects, but only 15%. In other words, if your business spent \$100,000 on innovation, regardless of earned income, Budget 2019 has just granted you an additional \$20,000 to support that innovation. Interestingly, Budget 2019 did not eliminate the capital threshold, which states that companies with capital valued at greater than \$50 million are not eligible for the premium rate. In other words, this SR&ED additional funding is specifically for SMEs, not large corporations.

Stock Options for Start-Ups

Budget 2019 limits the availability of stock option deductions for most companies, excluding "startups and rapidly growing Canadian business". There are not many details in the budget about this measure, but clearly, the federal government is encouraging start-ups and SMEs to invest in their human resources. As with most budgets, Budget 2019 states that stock options issued before the budget announcement would not be subject to the new regime.

Accelerated Capital Cost Allowance

Budget 2019 confirms the intention of the government to proceed with the capital cost allowance (CCA) acceleration measures originally announced in their Fall Economic Statement. These are:

- Full expensing for the cost of manufacturing and processing (M&P) machinery and equipment on a temporary basis
- Full expensing for the cost of specified clean energy equipment on a temporary basis
- A temporary accelerated investment incentive

This measure allows your business to immediately write-off the cost of M&P equipment, and specifically, clean energy equipment. It also includes an accelerated investment incentive of up to three times the normal first-year CCA deduction for other capital assets subject to CCA regime, with few exceptions. It's time to go back and re-calculate your return on investment for that new machinery you've been contemplating. It might just be cost justifiable under these new measures.

Canada Training Credit

Every budget always has something for workers. Budget 2019 is no exception. Every tax year beginning in 2019, workers with income that does not exceed the third tax bracket (currently \$147,667) can accumulate \$250 per year to go against eligible tuition and fees paid to learn new skills, or enhance existing skills.

Futurepreneur Canada

In the December 2018/ January 2019 column, we discussed Futurepreneur, a program targeting young entrepreneurs to access funds to start or buy a business. Budget 2019 has added \$38 million over the next five years to keep the program going.

Summary

Budget 2019 is clearly SME-friendly. Companies in the graphics, printing and associated support industries now have even more opportunities to improve their shop floor, develop new and innovative products and processes, train their workforce and take advantage of funding opportunities to boost their business.

While all of the above-mentioned opportunities exist for you, they also exist for your competitors. Make sure you get your fair share before the funds have already been allocated to others and you are too late. When it comes to government funding support, it's the professionally ready early bird gets the worm.



Elliot Schiller is a Director at Toronto's Teeger Schiller Inc., a firm specializing in government funding and systems selection / implementation. His clients receive over \$5 million annually to support ongoing business innovation.

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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.



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