

Talking Technology

Budget impact on technology business is positive

By Steve Burns, Capital News contributor

So what impact will the federal and provincial budgets have on your technology business?

While you may not agree with the spending spree outlined in the budgets, there are some hidden gems for technology based innovation.



The federal budget will invest \$1.7 billion and the provincial budget approximately \$75 million over the next three years to support research and innovation. This significant increase in investment in innovation will have a direct impact on Okanagan based technology companies.

The most significant federal and provincial budget items that have a direct impact on your technology company relate to an additional \$25 million from the federal government over two years for the National Research Council of Canada to strengthen the Industrial Research Assistance Program.

This budget allows NRC to expand IRAP's core programming including its network of Industrial Technology Advisors.

Many Okanagan based technology companies have taken advantage of IRAP funding to help fund their innovation technology projects.

By March 2002 the Business Development of Canada's (BDC) venture capital portfolio totalled \$270 million, almost double its level in March 2000.

In support of further growth of its venture capital activities this year and in 2003–2004, the federal government will purchase an additional \$190 million of BDC common shares.

This capital will allow the BDC to provide additional equity financing for knowledge-based businesses.

This increases the available venture capital to technology based companies.

B.C.'s budget provides for an increase of \$4 million that will allow an additional \$27 million in equity capital to be raised through the introduction of at least one additional Labour Sponsored Fund (i.e. we have two now).

This will raise the annual investment pool for Labour Sponsored Funds in B.C. to \$107 million per year.

These funds provide an increase in the access to financial capital to Okanagan-based technology companies as these funds seek out qualified technology investments.

A \$5 million pool of additional Small Business Tax Credits for BC has been allotted allowing an additional \$17 million to be raised for companies engaged in the development of new media products. This will impact the Okanagan's burgeoning new media industry.

The Venture Capital Corporation (VCC) structure in B.C. often facilitates seed capital investment in technology based companies.

The provincial budget has made it much easier for VCC companies to invest in our technology companies.

In addition to removing the capital-raising limit for VCCs and allowing more types of businesses to qualify, another significant change is that the VCC investment model will facilitate investment either through a direct investment, an investment in a holding company and a limited partnership investment.

B.C. is the first province in Canada to allow investors to earn program tax credits for investments in limited partnership offerings.

By allowing easier access to VCC funding, the provincial government has improved the opportunity for Okanagan technology companies to be financed through the VCC mechanism.

Introduction of a B.C. refundable corporate income tax credit of 15% for digital animation and visual effects.

This credit is available as an addition to either the Film Incentive BC tax credit or the Production Services Tax Credit.

The \$18 million targeted to leading edge endowment fund advances by two years the government's commitment to fund the 20 Leading Edge Chairs.

In addition, an additional \$7.5 million has been provided to fund six Regional Innovation Chairs at colleges.

This research funding will have direct and indirect spin offs for Okanagan based technology companies.

In summary, while you may have viewed the federal and provincial budgets as a non-event for your technology business, perhaps you should think again.

Both budgets have two potentially significant impacts on your technology business.

First, by increasing the investment in the technology sector, including NRC's IRAP program, the access to early stage assistance for your technology venture has

increased. Second, by making VCC investment easier and by creating new tax incentives to invest in new technologies, access to scarce private financial capital could become easier.

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