

WINNIPEG RESEARCH and DEVELOPMENT ENVIRONMENT

Why Winnipeg, Manitoba for R&D?

- At 20 per cent, Manitoba has the highest combined (federal and provincial) research and development tax credit in all of Canada
- A large pool of students enrolled in a wide variety of leading, ICT-related programming at Manitoba's post-secondary research facilities
- Growing clusters of research and business expertise in areas of bioinformatics, nanotechnology, applied electromagnetic, high performance computing, embedded systems
- Some of the lowest business costs associated with R&D, software and corporate services (KPMG Study, 2010)
- A productive, well-educated ICT workforce available at competitive wage rates
- A sophisticated telecommunications infrastructure across the province
- A strategic mid-continent location offering key distribution advantages for ICT manufacturers and distributors, as well as access to markets coast-to-coast for both travel and communications

Winnipeg Research and Development Programs

Research and development (R&D) programs and incentives in Winnipeg help researchers to discover knowledge, expertise and technologies that will have direct benefits to society. Winnipeg is proud of the accomplishments and the strong reputation of the ICT research community.

Coupled with Winnipeg's strategic geographical location and skilled and growing ICT workforce, research support provides the additional edge for R&D intensive operations in today's global economy. The University of Manitoba Technology Transfer Office provides a wide range of Intellectual Property and technology commercialization services to students, researchers and companies; the sound technology advice and financial assistance of the IRAP program; or tax incentive programs such as SR&ED and the Manitoba R&D tax credit

Some of the programs available to conduct and commercialize world-class research:

- The Scientific Research and Experimental Development Program (SR&ED)
 - Manitoba Research and Development Tax Credit
 - Natural Sciences and Engineering Research Council (NSERC)
 - Virtual Reality Centre
 - The Precarn / ITC Alliance R&D Program: Successful Innovation Through Collaboration
 - The Mathematics of Information Technology and Complex Systems (MITACS) Internship Program
 - Technology Commercialization Program
 - Feasibility Studies Program (FSP)
 - University of Manitoba Technology Transfer Office
 - Industrial Research Assistance Program (IRAP)
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Research and Development Infrastructure and Tax Incentives

The tax environment in Winnipeg encourages industry to continuously develop new and innovative products and processes. Programs like the Manitoba Research and Development Tax Credit and the federal Scientific Research and Experimental Development Tax Credit provide Winnipeg companies with considerable leverage for their R&D investments. On a combined rate, Manitoba accounts for the highest among all the provinces in Canada.

Province	Provincial credit	Refundable	Combined provincial and federal rate ⁱ
Alberta	10%	Yes	28%
British Columbia	10%	No	28%
Manitobaⁱⁱⁱ	20%	Yes	36%
New Brunswick	15%	Yes	32%
Newfoundland	15%	Yes	32%
Nova Scotia	15%	Yes	32%
Ontario	4.5%	No	23.6%
Prince Edward Is.	-	-	20%
Quebec ⁱⁱ	17.5%	Yes	34%
Saskatchewan	15%	No	32%

i. In calculating the combined credit, the federal tax credit is reduced by the provincial tax credit receivable.

ii. In Quebec, only R&D wages are eligible for R&D tax credits, not materials, equipment or overhead.

iii. In Manitoba, the provincial credit is fully refundable for eligible R&D expenditures incurred under contract with a qualifying research institute in Manitoba. Starting in 2011, the credit will also become partially refundable for in-house R&D expenditures (25% refundable in 2011; 50% refundable in 2012).

Scientific Research & Experimental Development (SR&ED) Program

Administered by Canada Customs and Revenue Agency, the Scientific Research and Experimental Development (SR&ED) Program is a federal government incentive program to encourage industrial SR&ED in Canada. The program provides financial assistance through investment tax credits to new Canadian businesses that undertake R&D activities in Canada that will lead to technologically new or improved products, processes or services.

SR&ED investment tax credits can be earned for qualifying current expenditures such as wages, materials, some overhead, and for contract R&D performed for the claimant. Additionally, SR&ED expenses for capital (machinery and equipment for R&D) can be 100% written off in the current year. Qualified SR&ED expenditures can be deducted in the current year, or carried forward in an SR&ED expenditure pool and deducted at a later date. The SR&ED expenditure pool does not expire, and the timing and amount of deductions taken are at the discretion of the taxpayer.

Depending on the size and structure of the firm, investment tax credits earned through the program can be received through a cash refund, a reduction of taxes payable, or both. The unused investment tax credits can be carried back 3 years, or forward 20 years.

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Generally, small Canadian-controlled private corporations (CCPC's) will be able to receive a refundable investment tax credit (ITC) of 35% of qualifying SR&ED expenditures, to a maximum of \$3 million of expenditures. Most other Canadian corporations, proprietorships, partnerships, and trusts can receive a non-refundable investment tax credit of 20% of qualifying SR&ED expenditures.

Manitoba Research and Development Tax Credit

To encourage research and development in Manitoba, the Manitoba Research and Development Tax Credit provides a 20% refundable tax credit applied against Manitoba corporate income tax payable. Eligible corporations must incur qualifying scientific research and development expenditures (as defined for federal income tax purposes) in Manitoba.

The Manitoba R&D Tax Credit is administered by Canada Customs and Revenue Agency, and firms eligible for the provincial credit will also be eligible for the federal Scientific Research and Experimental Development Tax Credit, which may be refundable in certain circumstances.

The amount deductible against Manitoba income tax will be lesser of the Manitoba R&D Tax Credit and the Manitoba Corporate Income Tax otherwise payable. Any unused credit will be available for carry-forward for up to ten years, and carry-back for up to three taxation years.

The Manitoba Research and Development Tax Credit will reduce qualified expenditures for the purposes of the Federal Income Tax Act, including the refundable Investment Tax Credit. Where a corporation does not anticipate having taxable income and prefers to make use of the refundable Federal tax credit provisions, it may renounce its rights to the provincial credit (in whole or in part) in order to maximize its Federal refund.

At 20 %, Manitoba has the highest research and development tax credit in the country. Budget 2009 announced the new refundable nature of the Manitoba Research and Development Tax Credit. This credit is fully refundable for corporations that undertake research under contract with a qualifying Manitoba research institute. Budget 2010 extends refundability of the tax credit to in-house R&D expenditures (i.e., R&D not undertaken under contract with an institute in Manitoba) as follows:

- starting 2011, one quarter of the credit for in-house R&D will be refundable; and
- starting 2012, one half if the credit for in-house R&D will be refundable.

Potential Research Partners

Winnipeg has abundant ICT research expertise and resources. There are a number of potential opportunities for collaboration with our Research Institutions. A profile of our University/Research Institutions and their specific areas of focus can be found below.

University of Manitoba

The University of Manitoba is western Canada's first university. Founded more than 130 years ago and located in the heart of the country, the U of M is the region's largest and only research intensive university in excess of 90 degrees, diplomas, and certificates – more than 60 at the undergraduate level

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including professional disciplines such as medicine, law, and engineering.

The energetic university community is comprised of over 26,000 students, 8,000 faculty and staff, and 180,000 alumni. Nearly 8% of current students are international, representing close to 100 countries.

The University stimulates over \$1.8 billion in economic activity in the province, and are leaders in Winnipeg's knowledge economy with groundbreaking research in nanotechnology, functional foods and nutraceuticals, HIV/AIDS, and climate change.

For a full profile of the U of M's Research program please see -
http://umanitoba.ca/research/ors/media/res_review_web.pdf

University of Winnipeg

Located in the heart of Winnipeg's downtown, The University of Winnipeg is a compact, diverse, multicultural undergraduate academic community committed to access and excellence for its 9,341 students. In the Globe and Mail 2006 Report Card, The University of Winnipeg earned top marks from its students, especially in the areas of class sizes and quality of education.

The University of Winnipeg acknowledges that research funding is critical to consistent and successful programs. In 2005/2006, internal University of Winnipeg financial funding was provided to just over 50 active faculty researchers. That support ranged from small discretionary awards to major research grants. Major federal government funding was applied to NSERC, SSFRC, and CFI scholarships, grants, and research, as well as a Canada Research Chair in Indigenous Science Education.

For more information please visit <http://www.uwinnipeg.ca/index/research-index>

TRLabs

TRLabs is Canada's largest not-for-profit information and communications technology (ICT) research consortium, and is internationally recognized as a leading model for industry-university-government collaboration. This tripartite model successfully combines the expertise and resources of an unlimited number of organizations and perspectives, resulting in TRLabs' prominence as an important element of Western Canada's science and technology infrastructure.

TRLabs operates five laboratories throughout Western Canada where university professors, graduate students, industrial partners and staff researchers work together to conduct applied research in the areas of digital media, eHealth, eHome, and Ubiquitous Cognitive Networks.

TRLabs Winnipeg was established in 1994 and employs 48 people in ICT research and development. TRLabs Winnipeg has a particular focus on data networking – working towards improving the speed, reliability and efficiency of the communications network, and eHealth – applying information and communications technologies to the health sector.

Industry/University Collaboration Drives Research

The TR Labs research program is based on industry/university collaboration. Industry sets the direction of the program, specifying general areas of interest, and contributing investment, equipment and research personnel. Universities contribute professors and students, who develop and execute original research projects. The research program bridges the gap between academia and industry to produce original, industry-relevant research and development with a duration of six months to five years.

TR Labs' member partners in Manitoba are Economic Development Winnipeg, Biomedical Commercialization Canada, Economic Development Council for Manitoba Bilingual Municipalities (CDEM), InfoMagnetics Technologies, Linear Systems, Linnet, Manitoba Hydro, MTS Allstream, Novra, Red River College, SMT Research, TDV Global, Teleforms, Tell Us About Us, The Information Forge, Parker Vansco, the University of Manitoba, and the federal and provincial governments, respectively, through Western Economic Diversification Canada and Manitoba Innovation, Energy and Mines.

TR Labs' success at contributing to the growth of Winnipeg's ICT industry has included training 135 masters and PhD students in Computer and Electrical Engineering, generating 29 patents – issued or filed – and producing 46 industry-commercialized technologies in the past five years. The percentage of graduates remaining in Winnipeg reached two-thirds in 2005/06. TR Labs Winnipeg is located in Smartpark, a world-class research and technology park on the University of Manitoba Fort Garry campus.

For more information please visit www.trlabs.ca