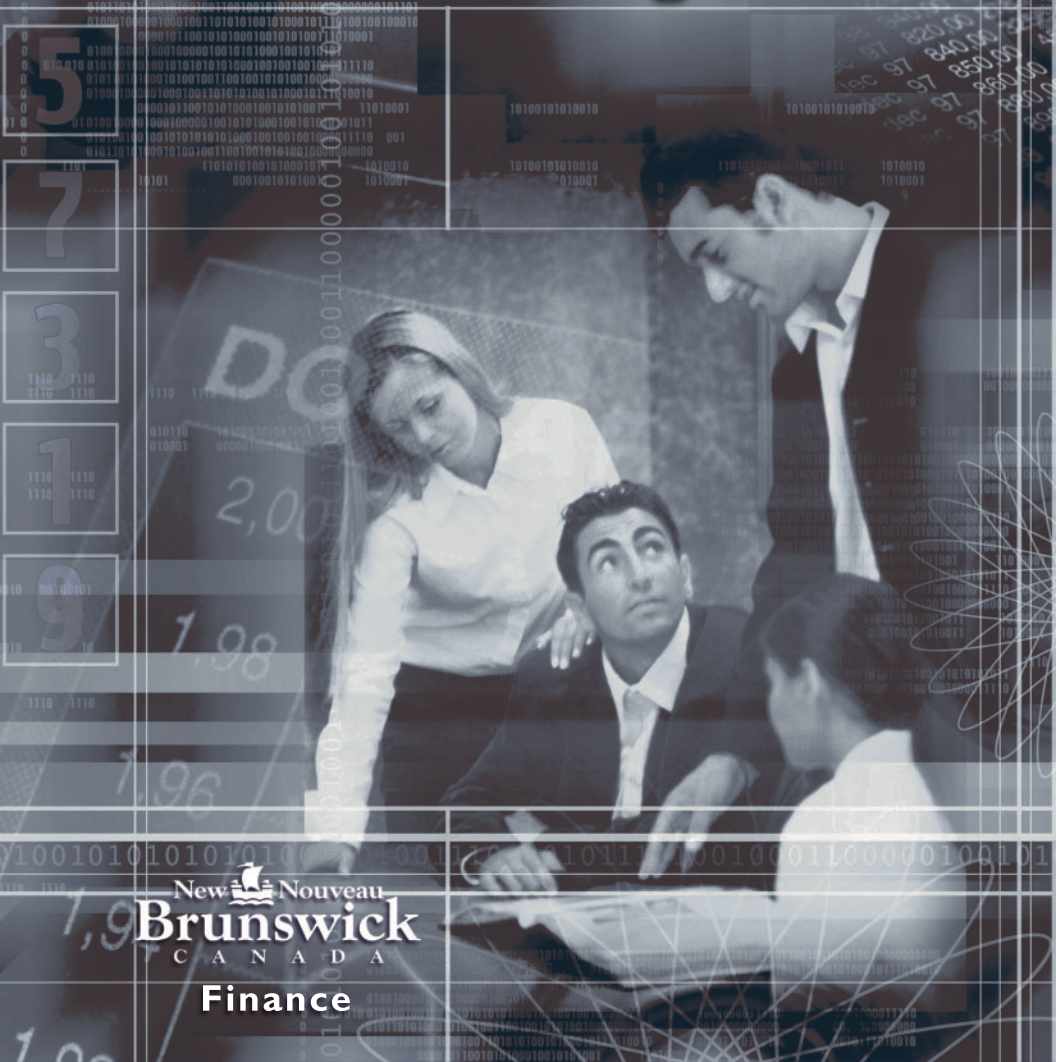




Small Business Investor Tax Credit Program



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Small Business Investor Tax Credit Program

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Program Description

The New Brunswick Small Business Investor Tax Credit provides a 30 per cent non-refundable personal income tax credit of up to \$15,000 per year (for investments of up to \$50,000 per investor) to eligible investors who invest in eligible small businesses in the province.

In the event that an investor cannot use the entire Small Business Investor Tax Credit amount in a given year, the tax credit can be carried forward seven years or back three years, but may not be carried back to any year preceding the 2003 taxation year.

Program Objectives

- Provide an important source of capital by increasing access to equity financing for New Brunswick small businesses.
- Encourage investment by New Brunswick residents in New Brunswick small businesses.

Program Process

The program has a two-stage process: application for a **Certificate of Registration**, followed by application for a **Tax Credit Certificate**.

Certificate of Registration

Corporations that want to take advantage of the program **and** are approved to sell shares in New Brunswick will file an application with the New Brunswick Department of Finance on a form provided by the provincial Minister of Finance.

One of the requirements will be the submission of an investment plan that outlines the proposed use of the capital. The application will be approved if the Minister of Finance is satisfied that specific conditions are met, including:

- the corporation meets the Corporation Eligibility Criteria outlined on page 2
- the proposed investment plan complies with the spirit and intent of the *Small Business Investor Tax Credit Act* and the Regulations, and
- the proposed use of the capital to be raised, as set out in the investment plan, would benefit the operations of the corporation located in New Brunswick.

The Department of Finance will issue a Certificate of Registration to a business approved to take part in the program. The certificate will permit the business to issue eligible shares up to a specified value on or before a specified date.

Under the program, approved businesses have **90 days** from their approval date to finalize the sale of the shares to the investors included in the investment plan.

Tax Credit Certificate

Within 30 days of when eligible shares are sold, the business must provide proof of sale, along with required information on each investor, to the New Brunswick Department of Finance on a form provided by the provincial Minister of Finance. The Minister of Finance will issue a Tax Credit Certificate to eligible investors on approved purchases of shares.

Individual investors will attach these certificates to their personal income tax returns to obtain the reduction in provincial income tax payable.

Eligible Business Sectors

All business sectors in New Brunswick are eligible to participate.

Corporation Eligibility Criteria

To register in the Small Business Investor Tax Credit program, the corporation must meet the following criteria:

- the corporation must be a private company as defined in the *Security Frauds Prevention Act*
- the corporation is incorporated or registered to carry on business in New Brunswick
- the corporation must have authorized capital consisting of shares without par value
- the corporation must have net tangible assets less than \$25 million (including associated corporations)
- all, or substantially all, of the corporation's assets and income must be used to generate active business income

- the corporation must pay, in each of the four years after the date of registration, at least 75 per cent of its wages and salaries to individuals who are residents of New Brunswick.

Application for Registration

As outlined in the *Small Business Investor Tax Credit Act*, a corporation that wants to register under the Small Business Investor Tax Credit program will be required to provide:

- an investment plan
- the income tax return from the previous taxation year
- a copy of the most recent financial statements of the corporation
- a certified copy of the corporate share registry
- a statement signed by each investor certifying that he or she understands the holding requirements for the shares and has read the investment plan.

Investment Plan

As outlined in the *Small Business Investor Tax Credit Act*, the investment plan must include the following information:

- amount of capital to be raised under the plan (**minimum amount of capital to be raised is \$10,000**)
- proposed use of capital raised
- full name of each eligible investor, who is at least 19 years old, including the investor's social insurance number and residential address (**minimum number of investors required is three**)
- number of shares subscribed for and the amount to be paid by each eligible investor (**minimum amount to be invested by each investor is \$1,000**)
- number of shares of the corporation held at any time by each eligible investor.

Prohibited Use of Capital Raised

As outlined in the *Small Business Investor Tax Credit Act*, the capital raised **cannot** be used for:

- lending
- acquisition or purchase of the shares of another person
- investment outside New Brunswick
- retirement of any shareholder liability of the corporation or associated corporation
- payment of dividends
- purchase of an existing business.

Holding Requirements of Shares

The investor must hold the shares for four years after the purchase or the tax credit will have to be repaid.

Disclaimer

The Province of New Brunswick does not guarantee the value of any shares issued by a corporation registered under the *Small Business Investor Tax Credit Act* and does not express any opinions as to the financial condition of such corporations or the merits of investing in the shares of such corporations.

For More Information

For information about the *Small Business Investor Tax Credit Act* or to obtain related forms, please visit <http://www.gnb.ca> Keyword: Finance

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