

Guidelines

Forestry Innovation Rebate Program

1. Program Objective

The Forestry Innovation Rebate Program (FIRP) is intended to incent high-value investment in companies within the Nova Scotia forest sector, with the goal of growing, optimizing, diversifying, and increasing their competitiveness in global markets. Projects should align with the recommendations in the 2018 report “Independent Review of Forest Practices in Nova Scotia” and support the evolution of the forest sector as it adjusts to ongoing structural changes. The program will assist existing Nova Scotian companies and inbound Foreign Direct Investment (FDI) firms. Eligible expenditures will include direct costs of Eligible Projects as defined in these guidelines.

2. Eligible Companies

In order to have a project approved by NSBI for purposes of the FIRP, each applicant under the FIRP (“Company”) must:

1. Be a taxable Canadian corporation as defined in [subsection 89\(1\) of the Income Tax Act \(Canada\)](#) which was incorporated in Canada (either federally or in one of the provinces).
2. Have a permanent establishment in Nova Scotia and be in operation for a period of at least 12-months, or a planned permanent establishment (as defined in [subsection 400\(2\) of the regulations to the Income Tax Act \(Canada\)](#)) in the case of new companies to the province.
3. Be engaged in its primary business activity in the following industries:
 - a. advanced manufacturing and processing;
 - b. development of non-traditional sources of energy;
 - c. forestry; and
 - d. life-sciences
4. **Not** be engaged in its primary business activity in the following industries:
 - a. natural resource harvesting and extraction;
 - b. primary agriculture (including cannabis);
 - c. wholesale trade;
 - d. publishing companies, print centres and copy shops;
 - e. electric power generation, transmission and distribution; and
 - f. any industry not otherwise mentioned.
5. Demonstrate, to the satisfaction of Nova Scotia Business Inc. (NSBI), that it is financially viable or can evolve to remain viable and has reasonable prospects for continued growth and success.
6. Be in compliance with the [Income Tax Act \(Canada\)](#), the [Environment Act \(Nova Scotia\)](#), [Occupational Health and Safety Act \(Nova Scotia\)](#) and [Labour Standards Code \(Nova Scotia\)](#).

[Scotia](#)), and the [Accountability in Economic Development Assistance Act \(Nova Scotia\)](#).

3. Eligible Projects

An Eligible Project is a project approved by NSBI for purposes of the FIRP and may include:

- Implementation of new or significantly improved production processes or by-product stream processing;
- Establishment of new forest sector production facilities in Nova Scotia that strengthen regional economies;
- Diversification of the sector's product range & value-added products while enhancing productivity and competitiveness;
- Investment in production capacity to enter new markets and/or produce new products;
- Roll out of pilot scale demonstration projects that prove and assess next-generation products and services;
- Identify new uses for wood fibre and new markets for the new products;
- Projects that enhance exports and address phytosanitary requirements

Any project that negatively impacts Nova Scotia's preferred status with the United States Department of Commerce regarding countervailing duties and anti dumping duties will be considered ineligible.

An Eligible Project must have a total budgeted Nova Scotia investment (excluding tax) of not less than \$1,000,000. All Projects must be completed within the fiscal year the project is allocated.

Eligible Projects must be approved by NSBI prior to September 30, 2021.

It is acknowledged that FIRP rebates are intended for Eligible Projects that, but for the FIRP, would not otherwise likely be undertaken. As such, an Eligible Project must be approved by NSBI for purposes of the FIRP prior to substantial commencement of the Project. For purposes of the FIRP, "substantial commencement" means any action that, in the sole discretion of NSBI, indicates a substantial commitment to the Project prior to determination of the availability of the FIRP rebate.

4. Eligible Project Costs

The Company will submit a schedule of project costs at the time of application. Eligible Project Costs will be determined by NSBI upon approval of the Eligible Project under the FIRP. Eligible Project Costs must be a direct cost of the Eligible Project and can include:

- Direct costs of advanced machinery, equipment, clean technology, software, and hardware, including associated transportation and commissioning costs. Must represent a minimum of 50% of the total eligible project;
- Used equipment costs (if applicable);
- Real property or building alterations related to the commissioning of equipment or implementation of business process improvements;

- Consulting, engineering, and subcontracting expenses directly related to the Eligible Project;
- Company incurred labour and wage costs for work performed directly on the Eligible Project; and
- Cost of industry or product certifications required for entry into new markets.

The schedule of project costs shall disclose any related party transactions (if applicable).

For greater certainty:

- Used equipment may be eligible provided it meets the criteria and was not originally purchased with other prior federal, provincial or municipal government assistance.
- Rolling stock and watercraft are excluded from Eligible Project Costs.
- Related party transactions must be at market rate. NSBI requires satisfactory evidence of the market rate.
- Expenditures eligible for incentives under the [Nova Scotia Capital Investment Tax Credit \(CITC\)](#) are excluded from Eligible Project Costs.
- Taxes are not included in Eligible Project Cost.
- The maximum amount of Eligible Project Costs to which the FIRP rebate will be applied is \$15,000,000.

The FIRP is intended to supplement existing federal and provincial incentives. NSBI reserves the right to remove from the calculation of the Eligible Rebate Amount (Rebate Amount), any Eligible Project Costs that are eligible for assistance through any other federal or provincial incentive, and where the inclusion of these costs would represent a replacement of the federal or provincial funding with the FIRP rebate.

5. Eligible Rebate Amount

A Company will be eligible for an FIRP **rebate of 25% of Eligible Project Costs**.

The maximum Rebate Amount for an Eligible Project, including related parties, cannot exceed \$3,750,000. The Eligible Rebate Amount, including conditions for earning additional FIRP rebate amounts, will be identified upon approval of the Eligible Project and provided in the Letter of Offer.

6. Application and Approval Process

Companies must complete and submit an application to the NSBI [Regional Business Development Advisor](#) for their region. An application to the FIRP must include:

- Completed application form;
- Schedule of Eligible Project Costs;
- Project plan acceptable to NSBI, which will include project timelines, identification of key technical and management resources, budgets, and anticipated impacts of the project on the Company's competitiveness in global markets;
- Historical financial statements of the Company and any additional financial information, as required by NSBI, to assess the financial viability of the Company; and

- Any other information required by NSBI to evaluate the request.

Approval under the FIRP will be evidenced by a Letter of Offer between NSBI and the Company, which will outline the terms of the innovation rebate.

Upon approval of the Eligible Project under the FIRP, the Company and NSBI will enter into a Letter of Offer which will include, but not be limited to:

- List of Eligible Project Costs;
- The Eligible Rebate Amount; and
- Reporting Requirements.

Approval under the FIRP is subject to budget availability. Applications must be received, and a Letter of Offer must be executed, prior to substantial commencement of the Project.

7. Evaluation Criteria

Applications will be evaluated for eligibility based on the Program Guidelines. The Company must demonstrate to the satisfaction of NSBI that:

- The proposed investment will have a beneficial impact on the Company's ability to compete in global markets;
- The Company has properly evaluated the technical feasibility of the Project;
- The Company has access to the required technical and project management expertise to complete the Project;
- The Company possesses the required financial resources to complete the Project;
- The Project is aligned with provincial economic development priorities (refer to the report by William Lahey [An Independent Review of Forest Practices in Nova Scotia](#)).

8. Claim Process Summary

Upon completion of the Eligible Project, the Company will submit a Disbursement Claim.

Reporting requirements, in support of a Disbursement Claim, will be provided in the Letter of Offer and will include an external auditor's report verifying project costs, and may include, but not be limited to, the following:

- Invoices and acceptable external proof of payment for purchases of goods or services from external suppliers;
- Engineer's certificate confirming project completion;
- Independent appraisals to support market rates in the case of related party transaction;
- Project cost reports in support of Company incurred labour and wage costs; and
- Management representation letters verifying information provided for purposes of the claim.

The Company consents to NSBI having full access to the external auditors including any documentation provided to the auditor for purposes of preparing the report.

9. Project Completion and Audit Process Summary

The Company must retain ownership and beneficial use of equipment funded through the FIRP for a period of five (5) years following the completion of the Eligible Project and the equipment must remain in Nova Scotia during that time. If the Company fails to comply, the Company agrees to repay NSBI the amount disbursed to it under the FIRP with respect to those Eligible Project Costs.

Upon completion of the Eligible Project, the Company agrees to provide such other information as NSBI may reasonably request from time to time during the five-year period. NSBI shall have the right, acting in its sole discretion, to audit the Company's records and documentation related to Eligible Project. The Company will also be subject to periodic site inspections and/or third-party verification.

10. Freedom of Information and Protection of Privacy Act

Information collected relating to the FIRP is subject to, and will be treated in accordance with, the [Freedom of Information and Protection of Privacy Act \(Nova Scotia\)](#).

11. Revocation of Letter of Offer

A Letter of Offer may be revoked where NSBI is satisfied that:

- The Company will be unable to complete the Eligible Project within the timeframe provided in the Letter of Offer;
- The Eligible Project is no longer eligible under the FIRP due to material changes in the Eligible Project plan;
- The Company has misrepresented any information provided for purposes of NSBI's evaluation of the Eligible Project.

Revocation may be made based on information discovered after the issuance of the Letter of Offer.

Where, for any reason:

- NSBI determines that the Company is not entitled to a rebate that has been paid to the Company under the FIRP; or
- NSBI determines that the amount paid to the Company, under the FIRP, exceeds the amount to which the Company is entitled,

the Company will repay to NSBI in full, no later than thirty (30) days after receipt of written notice from NSBI, the amount of the FIRP rebate paid or the amount of the overpayment, as the case may be.

12. Termination

In the event of the Company becoming insolvent or making an assignment under the [Bankruptcy and Insolvency Act \(Canada\)](#), making a proposal to creditors under the *Bankruptcy and Insolvency Act (Canada)*, having an application filed against it for a bankruptcy order under

the *Bankruptcy and Insolvency Act (Canada)*, taking or proposing to take the benefit of any provision of the [Companies Winding Up Act of Nova Scotia](#) or the Companies' Creditors Arrangement Act of Canada or such similar legislation, or ceases to carry on business in the Province of Nova Scotia, the issued Letter of Offer shall become null and void and the Company shall have no claim whatsoever for any portion of a Eligible Rebate Amount or additional rebate amounts.

13. Public Announcements

Approved companies will consent to participate in any public announcement and/or release of information relating to the FIRP rebate and its purpose. The Company shall not make announcements related to the FIRP rebate without prior approval of NSBI.

14. Accountability in Economic Development Assistance Act (Nova Scotia)

Applicants acknowledge and agree that particulars of their funding approval under these guidelines shall be disclosed to the public in accordance with the [Accountability in Economic Development Assistance Act \(Nova Scotia\)](#).

15. Contact Information

For more information, visit www.novascotiabusiness.com/FIRP, or contact the [Regional Business Development Advisor](#) in your region.