

# Guidelines

## SME Innovation Rebate Program

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### 1. Program Objective

The Small Medium Enterprise Innovation Rebate Program (“SME IRP”) or the (“Program”) is intended to incent high-value investment in Nova Scotia companies with the goal of increasing their competitiveness in global markets. The Program will assist existing Nova Scotian companies. Eligible expenditures will include direct costs of Eligible Projects as defined in these guidelines.

### 2. Eligible Companies

To have a project approved by NSBI for purposes of the SME IRP, each applicant under the SME IRP (“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, as defined in [the Income Tax Act \(Canada\)](#).
3. Have less than, or equal to, 499 full-time equivalent employees.
4. 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. life-sciences;
  - d. aerospace and defence;
  - e. information and communication technology (ICT);
  - f. ocean technology;
  - g. forestry and;
  - h. professional, scientific, and technical services excluding the following: legal services; accounting; tax preparation; bookkeeping and payroll services; advertising and related services; photographic services; veterinary services; translation and interpretation services.
5. **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. retail trade (personal and domestic services- including but not limited to esthetics, housekeeping, landscaping, home security);
  - e. construction;
  - f. car/appliance/general repair;

- g. film production;
  - h. accommodations;
  - i. food services;
  - j. franchises;
  - k. publishing companies, print centres and copy shops;
  - l. electric power generation, transmission and distribution; and
  - m. any industry not otherwise mentioned.
6. Demonstrate, to the satisfaction of Nova Scotia Business Inc. (NSBI), that it is financially viable and has reasonable prospects for continued growth and success.
7. Be in compliance with the [Income Tax Act \(Canada\)](#), the [Environment Act \(Nova Scotia\)](#), the [Occupational Health and Safety Act \(Nova Scotia\)](#) and [Labour Standards Code \(Nova Scotia\)](#), 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 SME IRP and may include:

- Implementation of new or significantly improved production processes or waste stream processing;
- Investment in production capacity to enter new markets and/or produce new products; and
- Establishment of new production facilities in Nova Scotia.

An Eligible Project must have a total budgeted Nova Scotia investment (excluding tax) of not less than \$375,000 and a maximum of \$2,000,000. All projects must be completed by March 31, 2022.

#### **Completed applications must be received by September 15, 2021.**

It is acknowledged that SME IRP rebates are intended for eligible projects that, but for the SME IRP, would not otherwise likely be undertaken. Engineering and design are permitted to be started prior to submitting a completed application. Engineering and design cost prior to April 1, 2020 will be deemed ineligible. Any equipment procured prior to the approval of the project application will be deemed ineligible.

All other Eligible Project costs must be approved by NSBI for purposes of the SME IRP prior to the substantial commencement of the project. For purposes of the SME IRP, “substantial commencement” means any action that, in the sole discretion of NSBI, indicates a substantial commitment to the project prior to the determination of the availability of the SME IRP 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 SME IRP.

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;
- 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 SME IRP rebate will be applied is \$2,000,000.

The SME IRP is not 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 SME IRP rebate.

#### 5. Eligible Rebate Amount

A Company will be eligible for an SME IRP **rebate of 25% of Eligible Project Costs up to a maximum of \$500,000.**

The maximum Rebate Amount a Company is eligible to claim under the SME IRP, including related parties, cannot exceed \$500,000. Companies can apply for multiple project approvals; however, the maximum rebate amount cannot exceed \$500,000 per company.

All eligible projects must be completed by March 31, 2022. The Eligible Rebate Amount will be identified upon approval of the Eligible Project and provided in the Agreement.

## 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 SME IRP must include:

- Completed application form;
- Schedule of Eligible Project Costs with supporting equipment quotations where applicable;
- Historical and projected 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.

Upon approval of the Eligible Project under the SME IRP, the Company and NSBI will enter into an Agreement which will include, but not be limited to:

- List of Eligible Project Costs;
- The Eligible Rebate Amount;
- Milestones and disbursement requirements/schedule; and
- Reporting Requirements.

Approval under the SME IRP is subject to budget availability. Applications must be received, and an Agreement must be executed, prior to substantial commencement of the Project, as determined by NSBI.

## 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, increase production capacity, and efficiency.
- 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 current [Nova Scotia Business Inc. Business Plan](#)).

## 8. Claim Process Summary

Upon completion of the Eligible Project, the Company will submit a Disbursement Claim. Claim requirements are determined on a per application basis based on the nature of the Eligible Project and fiscal year(s) (April 1 to March 31) for which they are approved.

Reporting requirements to verify project costs, in support of a Disbursement Claim, will be provided in the Agreement. There are three levels of financial reporting depending on the final cost of the Eligible Project. All reports must include a breakdown of the project costs incurred per the Eligible Project and Eligible Project Costs table provided in the Agreement. Any variance

between the reported costs and the Eligible Project Costs table in the Agreement must be addressed in the report. The report must also include a list of all personal property funded through the SME IRP, including a description of the personal property and identification details of the personal property such as name, make, model, serial numbers and/or any other such information that will identify said property.

The reporting requirements are listed as follows for each of the three levels upon completion of the Eligible Project:

### **Financial Reporting Requirements:**

- a. Final cost of the Eligible Project exceeds \$1,000,000:
  - i. Independent Practitioner's Reasonable Assurance Report, in accordance with Canadian Standard on Assurance Engagements **3530**, *Attestation Engagements to Report on Compliance*.
  
- b. Final cost of the Eligible Project is greater than \$500,000 up to \$1,000,000:
  - i. Project Costs Summary with a Review Engagement Report prepared by a 3<sup>rd</sup> party external Auditor CPA.
  
- c. Final cost of the Eligible Project is equal to or less than \$500,000:
  - i. An uncertified Final Cost Report supported by a Statutory Declaration of Final Project Costs (Declaration template provided by NSBI).

Other documentation to verify project costs and milestones may include, but not be limited to, the following:

- Purchase Orders;
- Invoices and acceptable external proof of payment for purchases of goods or services from external suppliers;
- Engineer's certificate confirming progress and/or project completion;
- Independent appraisals to support market rates in the case of related party transaction;
- Management representation letters verifying information provided for purposes of the claim.

## **9. Project Completion and Audit Process Summary**

The Company must retain ownership and beneficial use of equipment funded through the SME IRP 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 SME IRP 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 the Eligible Project. The Company will also be subject to periodic site inspections and/or third-party verification.

Annually, for two (2) years following the completion of the Project, the Company shall participate in NSBI's corporate data collection process. NSBI may request data on the impact of the Program to the Company's business including, but not limited to, sales, cost reductions, productivity improvements, enhanced competitiveness, increased profits, improved product quality, payroll and other factors which NSBI considers relevant. Failure to participate in the data collection process within the given timeline may impact the Company's future funding and application eligibility with NSBI.

## 10. Freedom of Information and Protection of Privacy Act

Information collected relating to the SME IRP 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

An Agreement may be revoked where NSBI is satisfied that:

- The Company will be unable to complete the Eligible Project within the timeframe provided in the Agreement;
- The Eligible Project is no longer eligible under the SME IRP 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 Agreement where, for any reason:

- NSBI determines that the Company is not entitled to a rebate that has been paid to the Company under the SME IRP; or
- NSBI determines that the amount paid to the Company, under the SME IRP, 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 SME IRP 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 the 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 SME IRP rebate and its purpose. The Company shall not make announcements related to the SME IRP 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/sme-irp](http://www.novascotiabusiness.com/sme-irp), or contact the [Regional Business Development Advisor](#) in your region.