

## **Incentives for Commercialization of Research and Development in Canada**

Canada has the best R&D program in the world - the Scientific Research and Experimental Development (SR&ED) program. This program is administered by the Canada Revenue Agency. What is impressive about this program is that it is very effective in generating new Research and Development (R&D), so much so, that it has been copied around the world.

The factor that makes the SR&ED program work is that the tax credits are paid to researchers based on actual research conducted. The SR&ED pipeline pushes out a steady stream of new products and processes that have the potential to increase productivity and economic output significantly.

Once the product or process is developed it needs to be commercialized. Commercialization is the process of introducing a product or a process into the market. Without commercialization, technology-based innovations cannot go beyond the development stage; thus preventing new R&D from being implemented.

Expansion of the current SR&ED program to include commercialization of the results of the SR&ED will provide strong incentive to investors to allocate funds to commercialization projects.

The critical difference between existing commercialization funds and what is needed from the federal government is an emphasis on the allocation of investment funds. In the same manner as the SR&ED program provides credits directly to researchers spending their money in research efforts; a commercialization program should provide credits directly to investors for monies invested directly in commercialization projects.

This approach is in contrast to other approaches that provide incentives when investment is made into a fund that may or may not be used in commercialization projects at some point in the future.

The Commercialization credit or incentive can be much more than a line item on a tax return. The existence of the commercialization component attached to the SR&ED program will illuminate the commercialization process and will focus the attention of the entire consultative community across the country (accountants, lawyers and consultants will be out in the field educating the various players in the community in this new discipline) in exactly the same way that the SR&ED program generated its own class of consulting specialists.

### **Recommendation**

That the federal government expand immediately the existing SR&ED Program to include commercialization projects that relate to bringing new products and processes developed under the SR&ED Program to the marketplace.