SME in Canada

(a) Definition of SME
Small: 1-99 employees; Medium: 100-499 employees.

(b) Support, if any, regarding
The Canada government has set a clear course aimed at aiding global gazelles to obtain and / or secure financing, by making venture capital investing more attractive, stimulating entrepreneurship and creating an advantage for investment in Canada. Incentives include:

Fiscal:

- Reduced Canadian corporate income tax (before June 30, 2005 – 34.86%; after June 30, 2006 – 34.12% for net income over $400,000);
- Elimination of the federal capital tax (currently 0.175%; 2008 nil);
- Reduction of taxes on small and medium-sized business (current federal small business deduction limit of 13.12% on net income less than $300,000 – proposed change from $300,000 to $400,000 net income);
- Reduction of capital gains tax (in 2000 the tax rate changed from 75% to 50% on capital gains – proposed elimination of capital gains tax in the future);
- Expansion of tax free capital gains rollovers from small business investors (2003 – defer the taxation of capital gains on small business shares up to $500,000 if they reinvest the proceeds of disposition in other small businesses);
- Reduction of the goods and services tax from 7% to 6.5% during 2006;
- Encouraging pension fund participation in venture capital investments (2003- allow for pension funds to invest in venture capital markets);
- Creating targeted venture capital pools (BDC target investments in life science, telecommunications, information technology and advanced technologies - $500 million currently invested); and
- Increase in spending on ideas and discoveries generated in universities, colleges, research hospitals and other research institutions, as well as innovative private sector firms (increased federal spending of $13 billion for the period 1998 to 2005).

Credit:
The Canadian government has many program incentives that aid global gazelles in obtaining and / or securing financing.

Two examples of well-known Canadian government institutions that provide incentives aimed at assisting SMEs (including global gazelles) to obtain and secure global financing are:

- Business Development Bank of Canada (BDC)
The BDC is Crown corporation providing financial and consulting solutions for SMEs. The BDC promotes investment and development of Canadian domestic and global businesses operating in knowledge based, growth-oriented industries and export markets, by providing the following services to secure and obtain financing;

- Venture capital investment – investment in every stage of a company’s development cycle (seed to expansion). The focus is on technology-based businesses that have high growth potential (advanced technologies, information technology, life sciences and telecommunications).
- Subordinate financing – a hybrid product bringing together both debt and equity financing.
- Education-consultants available with specific industry experience in sales, marketing, business development, production, R&D, strategic direction, executive hiring, commercialization and exporting.

- Export Development Canada

The EDC is a Crown corporation that provides trade finance and risk management services to Canadian exports and investors in up to 200 markets worldwide. The EDC provides the following services to aid global gazelles in exporting and financing in the world market;

- Financing – pre-shipment financing for exporters that need cash for manufacturing their goods before they export, equity investment to increase market reach by accessing capital, note purchases allowing exporters to extend credit to the foreign buyer, and Canadian foreign investment which allows exporters to meet growing export demands or increase their international positioning.
- Insurance – credit insurance for export transactions, contract insurance for capital goods, service contracts or projects and political risk insurance for overseas investments and assets.
- Bonding – performance security guarantees that allow for 100% guarantee to the bank for a bond, and surety bond insurance providing risk sharing reinsurance for up to 100% of the bond liability.
- Online services – financial and credit information on US and other foreign buyers, online accounts receivable insurance for single transactions and access to the Receivable Insurance Centre (RIC), contract bonding and guarantee centre free research information and other online products and services.