



INFORMATION TECHNOLOGY
ASSOCIATION OF CANADA



ASSOCIATION CANADIENNE
DE LA TECHNOLOGIE DE L'INFORMATION

ITAC Industry Insider Newsletter

November 26, 2018

Proposals to support Canadian ICT sector welcomed: Fall Economic Update

Proposals to support Canada's Information and Communications Technology (ICT) sector in the recent Federal Economic Update will help to enhance investments in ICTs, 5G and our broadband networks, and will support Canada's competitiveness.

To read ITAC's national response, please [click here](#).

Government responds to industry's calls: An overview

Accelerating Business Investments (updates to Accelerated Capital Cost Allowances)

ITAC has advocated to the Government of Canada that US based tax reforms has been reducing investments in ICTs in Canada. Canada's poor investment climate is leading to lags in ICT investment and reduced productivity and impacts Canada's competitiveness.

The U.S. moved in December 2017 to lower the corporate tax rates and increase CCA to 100 per cent allowing companies to depreciate or write off 100 per cent of investments annually for the next five years. By contrast, Canadian CCA rates remain unchanged, ranging from 12 to 50 per cent.

This slows investments by Canadian firms and multinationals operating in Canada and hinders Canada's competitiveness and ability to attract foreign investments. Canadian firms are at risk. On a size-adjusted basis, Canadian firms invest half the level ICT that gets invested in the U.S. The result is sizable lag in productivity. The gap between Canada and the U.S. will continue to increase: from five per cent in the 80's; to fifteen per cent in the early 2000's; it's now 27 per cent.

Accelerating the CCA rate for ICTs will entice businesses to: make investments leading to improvements in businesses processes; maximize the usage of existing assets; integrate more efficiently in global supply-chains; enhance customer experience; and explore new business models and technologies. Increasing CCA rates will also support expedited deployment of 5G networks.

Through the Fall Economic Update, they have made changes to Canada's tax system in three areas:

1. Allowing for the immediate write-off of the costs of machinery and equipment used for the manufacturing or processing of goods (which will support the adoption of advanced technology and processes in manufacturing) shifting from 25% currently to 100% in year 1.

2. Allowing businesses to immediately write-off the cost of specified clean energy equipment shifting from 25% currently to 100% in year 1; and
3. Accelerating Capital Costs Allowances by up to 3X the current rate, some highlights include:

	Current Rate	Go Forward Rate
a. Computer Software	50%	100%
b. Computers	27.5%	82.50%
c. Data and Network Infrastructure	15%	45%
d. Fibre Optic Cables	6%	18%
e. Fibre Optics (Class 42)	12%	36%
f. Radiocommunication equipment	20%	60%
g. Data network infrastructure equipment and systems software	30%	90%

NB. These allowances are available in year 1, years 2 out revert to the current rate.

International Trade

ITAC has advocated that it is crucial that Canadian technology have access to international markets as well as the ability to attract investment into Canada from abroad. In short Canada needs to diversify its export markets.

We had called for:

- 1. Increased funding to improve their Digital Online Trade Commissioner Service** that would include a better integration of an all of government approaches to avoid duplication of efforts.
- 2. Expand the CanExport program** that provides direct financial assistance to SMEs seeking to develop new export opportunities and markets.
- 3. Take advantage of CETA and CPTPP** through funding for the Trade Commissioner Service. Including expansion of the Canadian Technology Accelerator to Europe and Asia.

In the Fall Economic Update, the Government has launched an export diversification strategy to increase Canada's exports by 50% by 2025 and includes:

1. Committed \$24.5 million to expand the Trade Commissioners Services (TCS) in specific areas such as digital, e-commerce and intellectual property.
2. Allocated \$60 million over the next five years for new online tools and enhanced market intelligence for the TCS.
3. Devoted \$17 million over the next 5 years to expand the Canadian Technology Accelerator Program.
4. Provided \$7 million over five years to Mitacs international incubators internship program to connect to international clients in partner countries.
5. Provided \$10 million over three years for export readiness and capacity initiatives to be delivered by local organizations and boards of trade and incubators and accelerators.
6. Dedicated that Global Affairs Canada and ESDC will work together to develop a new international education strategy.
7. \$44.1 over the next five years to expand the TCS (new commissioners) in China, India, EU-CETA and CPTPP environments.
8. \$29.1 over five years for TCS (new commissioners) in Canada.

Regulatory Innovation

Industry has been calling on Government to address our regulatory environment in all sectors, and ITAC has been advocating for updates to the rules governing technology to position Canada at the fore of the technology renaissance and support a data driven digital economy.

Countries that promote data's availability and use for societal good and economic development will lead the 4th industrial revolution.

Government needs to partner with industry. Adoption of new technologies will fall behind if the regulatory environment limits Canadians' capacity to innovate in practical applications of technologies, reducing competitiveness and diminishing Canada's relevance as a global player. ITAC highlighted the need for Government to **review the effectiveness of marketplace laws and regulations.**

1. The Government will create an External Advisory Committee on Regulatory Competitiveness to identify areas that challenge innovation and economic growth and to ensure regulations are keeping pace with advances in technology.
2. Launch a Centre for Regulatory Innovation to act as a focal point for businesses to engage with Government in in "Regulatory Sandboxes" to support innovation. The Government has dedicated \$11.4 million over five years and \$3.2 million ongoing for the Centre to support this framework for regulatory experimentation.
3. Implement regulatory and policy changes for the approvals of specific products and solutions including truck platooning, medical devices and wearables, AI products and services for health services.

Supporting Strategic Innovation

To accelerate and support business innovation, the Government is providing an additional \$800 million into the SIF (the Strategic Innovation Fund) over five years. (\$100 million has been earmarked for forestry and \$250 million has been earmarked for the steel and aluminum sectors). This will leave \$550 million for other new investments.

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