Finance and Treasury Board
Marysville Place, P.O. Box 3000
Fredericton, N.B. E3B 5G5

COMMUNITY ECONOMIC DEVELOPMENT CORPORATION/ASSOCIATION SCHEDULE 1

Small Business Investor Tax Credit Program

Investor Eligibility

The total investment by an individual investor shall be not less than $1,000 and for a corporation or trust investor, the total investment shall be not less than $50,000.

To receive a Small Business Investor Tax Credit (SBITC) a person must be an individual who is a resident of New Brunswick and 19 years of age or older or a corporation or trust which has a permanent establishment in New Brunswick.

Shares or convertible debentures may be purchased, held or disposed of by a qualifying trust for an investor.

An investor is required to hold the investment for a minimum of four years.

An investor may not use financial assistance from any government, municipality or public authority in the acquisition of these shares.

The maximum annual investment for which a tax credit certificate will be issued to an investor is $500,000 for an individual and $250,000 for a corporation or a trust who invests in strategic sectors or $125,000 for an individual and $125,000 for a corporation who only invests in non-strategic sectors.

Investment Eligibility

The corporation/association will raise capital of not less than $10,000.

An investment may be made by an individual investor within the first 60 days of a calendar year and may be claimed as a tax credit in the prior taxation year.

A replacement share is not eligible. A replacement share is a share or convertible debenture purchased by an investor who disposed of any other share or convertible debenture of the corporation/association at any time after February 4, 2014, and before the date of the investment.

Eligible investments do not include shares or convertible debentures that, in the opinion of the Minister of Finance and Treasury Board, were or will be issued with the main purpose of claiming the tax credit.

Funds raised, by the proposed share offering, must **not** be used for any of the following purposes:

- Lending;
- purchasing the shares or convertible debentures of any other person;
- investment outside the Province of New Brunswick;
- investment in land, except land that is secondary to the active business in which the corporation/association is primarily engaged;
- purchasing all or part of any services or assets at a price greater than their fair market value;
- purchasing services or assets from the Province, or a provincial agency or corporation, to be used in the same or similar business activity, and the corporation/association has received financial assistance from any government, municipality or public authority to purchase those services or assets;
- redemption or purchase of previously issued shares or convertible debentures of the corporation/association or an associated corporation/association;
- retirement of any part of a liability of a shareholder or convertible debenture holder of the corporation/association or an associated corporation/association;
- payment of dividends; and
- funding the purchase of all or substantially all of the assets of an existing corporation, association, proprietorship, partnership, joint venture, trust or company, except where that entity is in receivership or in bankruptcy and an eligible investor or group of investors did not, at any time, own more than 10 per cent of the voting shares of the entity.

Community Economic Development Plan

A Community Economic Development Plan shall contain the following:

- a mission statement outlining the economic development strategy of the corporation/association and the defined community it intends to serve;
- the amount, proposed use and specified time frame in which the raised capital will be used;
- names of not fewer than three potential eligible investors, including each individual investor's social insurance number, date of birth, residential address and telephone number or for corporation or trust investor(s), the NB Corporate Affairs Registration Number, head office/business address and contact person;
- number and types of shares or convertible debentures and investment amounts for each potential investor;
- number of shares or convertible debentures of the corporation/association held at any time by each potential investor;
- a statement signed by each potential investor certifying that the information provided related to the investment is accurate;
- a summary of the corporation/association's major business activities and revenue sources indicating the percentage of corporation/association assets used in each activity;
- the names in full of the directors and officers of the corporation/association and their addresses and background information;
- A provision that, immediately after registration, or within 120 days of registration, the corporation/association will raise capital by issuing eligible shares;
- total of wages and salaries paid, in the previous taxation year, indicating the portion paid to New Brunswick residents;
- number of employees currently employed by the applicant corporation/association;
- total amount of revenue and dollar value of goods and services exported out of N.B at the time of application.

  NOTE: The minimum amount of capital to be raised by a corporation or association is $10, 000 and the maximum amount is, within a 12-month period, $3,000,000.

Certificate of Registration

The Minister of Finance and Treasury Board shall issue a certificate of registration that gives approval to the corporation/association to raise the amount of capital referred to in the community economic development plan through the sale of shares.

Share Certificates

Shares or convertible debentures must only be issued by the corporation/association once they are fully paid.

Shares or convertible debentures purchased from the corporation/association must be registered in the name of the shareholder or convertible debenture holder who purchases them or in the name of a trustee, if the shares or convertible debentures are purchased by a qualifying trust.

The corporation/association must issue an investment confirmation to each eligible investor within 30 days of the investment.

The corporation/association shall put the following endorsement on the share certificates: "The right to redeem or transfer this class of shares or class of convertible debentures is subject to the provisions of the *Small Business Investor Tax Credit Act."*

Tax Credit Certificate

For an individual investor who invests in strategic sectors, the tax credit is 50% of the investment up to a maximum annual credit of $ 500,000 and 25% (for investments made after March 17, 2026) for a corporation or trust investor of the investment up to the maximum annual tax credit per investor who invests in strategic sectors of $250,000 or $125,000 for an individual and $125,000 for a corporation who only invests in non-strategic sectors.

The credit is not refundable but may be carried forward for seven years or carried back three years.

The secretary and one authorized officer of the corporation/association will apply, on behalf of each eligible investor, for a tax credit certificate within 30 days of issuing the eligible shares. The application shall be accompanied by any additional material that may be required by the Minister of Finance and Treasury Board.

Investment Requirement for the Capital Raised:

The corporation/association must invest the capital raised in the issue of shares or convertible debentures as follows:

Period of time after the closing date of the issue of shares or convertible debentures	**Percentage of the capital raised**
First 12 months	40%
First 24 months	60%
First 36 months	80%

A maximum of 20% of the total capital raised in an issue of shares or convertible debentures is allowed for administration purposes.

Annual Returns

The applicant corporation/association shall file an annual return within 180 days after the end of its fiscal year end for the four-year holding period for specified share issuances (in certain cases, the corporation/association may have to file 5 annual returns to cover the four-year holding period). The following information shall be provided with the annual returns:

- A copy of the corporation/association's financial statements, for the fiscal year being reported (including those of the associated corporations/associations), for which an independent review engagement has been conducted or has been independently audited by a chartered professional accountant;
- A copy of the income tax return from the previous taxation year (including those of associated corporations/associations);
- A copy of the current share registry, certified by an officer of the corporation/association. This should provide a list of all shareholders or convertible debenture holders with the number, class and unit price paid. Any shareholder's or convertible debenture holder's SBITC eligible shares should be recorded separately from any of their other shares or convertible debentures;
- A list of any redemption or transfer of SBITC eligible shares within the previous fiscal year, including the date of the redemption or transfer;
- An updated community economic development plan indicating how SBITC program funds were used.
- A summary of the amount of capital raised that was invested on the date the investments were made.
- A summary of total wages and salaries for the fiscal year where the jurisdiction and the amounts allocated to residents and non-residents are clearly identified and including the total number of employees at year end;
- The total amount of revenue and the dollar value of goods and services exported out of N.B for the fiscal year; and
- Any information that the Minister of Finance and Treasury Board may consider necessary to confirm the use or disposition of the raised capital and to ensure compliance with the SBITC program and related legislation.

Enforcement

An investor, who, before the expiry of the four-year holding period, redeems, cancels or disposes of an eligible share or receives a tax credit that they were not entitled to, shall repay the amount of the tax credit received, including interest. No recovery of the tax credit will be required in the event of the death of an individual investor.

The corporation/association shall not redeem an eligible share unless the redemption occurs after four years from the date of issue or due to a transfer involving an RRSP that the shareholder or convertible debenture holder is the annuitant or because of the death of the shareholder or convertible debenture holder.

If the corporation/association redeems, acquires, cancels or transfers eligible shares within the four-year holding period, it is required to withhold, from the amount otherwise payable to the shareholder or convertible debenture holder the amount of the tax credit received. The withheld amount must be paid to the Minister of Finance and Treasury Board within 30 days. No recovery of the tax credit will be required in the event of the death of an individual investor.

If before the expiry of the four-year holding period, a corporation/association's registration is revoked or surrendered, or if the corporation/association winds up or dissolves, the corporation/association will immediately pay, to the Minister of Finance and Treasury Board, all monies equal to all of the allowed tax credits issued within the preceding four years.

If the investment requirements are not met by the corporation/association, a penalty equal to 1/6 of the amount of the shortfall will be imposed.

Disclaimer

This schedule is intended to provide information respecting application under the Province of New Brunswick *Small Business Investor Tax Credit Act* and should not be regarded as a replacement of the laws, regulations or administrative documents to which it refers. Where there is a conflict between the information contained in this schedule and the legislation, the legislation shall prevail.

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