

YOUR BUSINESS

Resources for Canadian Small Businesses

FALL 2009

CanadaBusiness.ca

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FACT

Canada is one of the easiest places in the world to start a business, according to The World Bank. It takes on average one procedure and only five days.

DID YOU KNOW?

Since 2006, the federal government has lowered the small business tax rate to 11% and is lowering the general corporate tax from 22% to 15% by 2012. See page 3.



Did you know that over 98 percent of all businesses in Canada are small and medium-sized enterprises (SMEs) and that they employ almost half of our workforce? SMEs truly are the backbone of our

economy. Even in recent recessionary times, the small business sector outperformed the rest of the economy.

The past year has been a turbulent one for the global economy. Recognizing the challenges that were ahead, the government acted quickly and introduced Canada's Economic Action Plan to help stimulate our economy and support small businesses. The Plan is delivering several new initiatives to help ensure that small businesses in Canada come out of the recession stronger than ever. Our economy is already showing signs of recovery. And that recovery is being led by SMEs.

As I meet with many small business owners across Canada, one of the biggest concerns expressed to me is access to financing. Through the Plan, the government has

taken steps to free up credit and help make financing available to your business (see page 2). Targeted tax relief measures and reductions in red tape are also part of the government's strategy to help small businesses thrive (see pages 3 and 4).

The meetings also revealed that our government needs to continue to communicate our initiatives to support SMEs. This newsletter provides information on a number of programs and services that your federal government has introduced to improve the viability of businesses. It provides important links for you to easily access services and important information about these programs. Through the eyes of fellow business owners whom you will read about in the next few pages, you will discover resources to help your business.

I hope this newsletter is helpful to you and your business. You truly are the heroes who have helped Canada's economy keep one of the top positions in the G7. I encourage you to contact my office with any feedback or suggestions you may have.

Sincerely,

The Honourable Diane Ablonczy
Minister of State (Small Business and Tourism)

Canada's Economic Action Plan: What's in It for You?

Canada's Economic Action Plan is designed to help Canadian businesses weather the recent economic turbulence. Recognizing the importance of the small business sector, the Plan provides relief for SMEs across the country and positions them for the recovery. The Plan includes:

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www.actionplan.gc.ca

Increased Access to Financing

Show Me the Money!

Whether you are starting up or expanding your business, access to financing can be a challenge. That is why Canada's Economic Action Plan introduced new financing tools to help your small business. These programs include:

- **Business Credit Availability Program (BCAP)** —The Business Development Bank of Canada (BDC) and Export Development Canada (EDC), in conjunction with private lenders, provide at least \$5 billion in additional loans and other forms of credit support to creditworthy businesses whose access to financing would otherwise be restricted. Talk to your financial institution or visit www.fin.gc.ca/bcap.
- **Canadian Small Business Financing Program (CSBFP)** — The CSBFP seeks to increase the availability of loans for Canadians who wish to establish, expand, modernize or improve a small business. Through Canada's Economic Action Plan, the federal government increased the maximum loan amount under the CSBFP from \$250,000 to \$350,000 and to \$500,000 for real property. Visit www.ic.gc.ca/csbfa.

Meet one company experiencing meteoric growth, using government programs along the way.



Name: **Steve Couture, President**

Company: **Frima Studio**

Location: **Québec, Quebec**

Started: **2003**

Employees: **250**

www.frimastudio.com

BACKGROUND: Pioneers of Canadian interactive gaming on the web, Frima Studio is one of the largest independent game development studios in North America, providing world-class products. With revenues of \$10 million and clients such as Disney and Time Warner, it ranks 10th among *PROFIT* 100: Canada's Fastest-Growing Companies. Founder Steve Couture is committed to creating quality Canadian content and exporting cutting-edge programs to profit from this exploding global industry.

“The small business loan program helped us become the company we are today.”

BIGGEST GROWTH CHALLENGES:

- Financing growth after the dot.com crash
- Attracting good game developers

- Maintaining cash flow while buying equipment and hiring quickly to support rapid growth...from seven employees at start-up to 250 today

SUPPORT ACCESSED: In its early stages, the company used two CSBFP loans (see above) to finance equipment purchases and leasehold improvements. It currently uses the Canada New Media Fund (www.telefilm.gc.ca), which finances 50 percent of the production of original Canadian content.

FEEDBACK: “We were able to buy computers and software and expand our facilities because of the small business loan program. It helped us become the company we are today. We highly recommend it to other entrepreneurs to finance long-term assets that would otherwise strain cash flow. The Canada New Media Fund we now use is an excellent way to ensure the creation and export of our country's intellectual property.”

Calling Young Entrepreneurs

The Canadian Youth Business Foundation (CYBF) provides loans up to \$15,000 to the next generation of small business owners. Check out the details at www.cybf.org and read the success story on page 4.

Business Development Bank of Canada (BDC)

BDC provides tailored financing, venture capital and consulting services with a focus on SMEs. In the first quarter of fiscal 2009–2010, the total amount of loans accepted by BDC clients jumped almost 40 percent compared to the same quarter last year, to just over \$1 billion in 2009. Visit www.bdc.ca to find out how BDC support can help you accelerate your business growth and success.

Do You Need To...

- Grow your international sales?
- Manage your receivables?
- Access working capital?

Find out how EDC can support your international — and even domestic — projects by visiting www.edc.ca.

Looking for Government Grants, Loans or Financing?
Check out www.canadabusiness.ca.

Lowered Taxes Need a Break? You've Got It!

To help small businesses keep more of their earnings to reinvest and grow the business, Canada's Economic Action Plan offers tax relief measures to help SMEs thrive. Some key initiatives include:

- A two-year 100-percent capital cost allowance rate on computer hardware and systems software purchases to allow all businesses to update their computer systems
- An increase in the amount of small business income eligible for the reduced federal income tax rate of 11 percent, to \$500,000 from \$400,000
- An extension of the capital cost allowance rate for investments in machinery and equipment to include investments undertaken in 2010 and 2011
- A freeze in Employment Insurance premium rates for 2010

Here is how one company took advantage of the government's tax measures and how it benefited from them.



Name: **Dan Moynahan, President**
Company: **Platinum Tool Technologies Inc.**
Location: **Oldcastle, Ontario**
Started: **1999**
Employees: **53**
www.platinum-tool.com

BACKGROUND: Platinum Tool specializes in the design and manufacture of moulds for the North American automotive lighting industry. Despite the recession and the significant challenges facing the auto sector, the company did not lay off any workers and is expanding its manufacturing facility by 25 percent.

BIGGEST CHALLENGES: Competing with U.S. suppliers, dealing with currency fluctuations and navigating through the restructuring of the auto industry.

SUPPORT ACCESSED: BDC for financing real estate and equipment purchases, EDC for accounts receivable insurance and the Scientific Research and Experimental Development (SR&ED) tax incentive program for eligible research and development (R&D) expenditures.

“The SR&ED tax incentive program allows you to take on challenges.”

FEEDBACK: As he prepares for a sizable \$1-million purchase of equipment to serve the aerospace industry, Mr. Moynahan finds Canada's Economic Action Plan's extension of the 50-percent straight-line accelerated capital cost allowance for manufacturing equipment to 2011 helpful. He has also benefited from the SR&ED tax incentive program, and has been able to develop new processes and mechanisms to keep pace with increasingly complicated designs and more demands from customers. “The SR&ED has allowed us to take on more challenges, improve the skill level of employees and develop intellectual property to separate ourselves from the competition.”

Boost Your R&D

You could qualify to earn an investment tax credit of 35 percent (on up to \$3 million) of eligible R&D expenditures through the SR&ED program. Get the details at www.cra-arc.gc.ca/sred.

SMEs, aided by the National Research Council Canada Industrial Research Assistance Program (NRC-IRAP), are better equipped to perform R&D activities, commercialize new products and processes, and access national and international markets. Visit www.nrc.ca/irap.

Jill Anderson, President of Aecomtric Corporation, Richmond Hill, has benefited from the SR&ED tax incentive program since 1985.

“The government provides all kinds of support for R&D, such as non-refundable financial contributions through NRC-IRAP and SR&ED tax credits, which really promote innovation. There have been times when we would not have survived if not for that, having gone through three recessions.”

Need Help with an E-Business Strategy?

Through the Small Business Internship Program, Aitkens Pewter Ltd. of Fredericton, New Brunswick, hired a student to focus on generating more website traffic and increasing online sales to supplement its retail sales. “This program is a good measure for small business, and the application is easy and straightforward,” says Martin Aitken, President.

Find out how you can hire a qualified student intern to help with an e-business or information and communications technology project... and be reimbursed for up to 75 percent of the employment cost. Visit www.ic.gc.ca/sbip.

Cuts to Red Tape

Getting It Done. Fast and Easy.

Small business owners should spend their time and energy on building their success and not on filling out paperwork. The Government of Canada is streamlining and reforming the way it does business. These initiatives will better support your business and will help improve our country's competitiveness:

- In 2009, the Government of Canada announced it had reached its goal of **reducing the paperwork burden** by 20 percent. Further steps on how to reduce red tape will be announced.
- Canada's Economic Action Plan provided additional funding to the **Canada Business Network** — a one-stop shop for government information and services. The newly redesigned

website better meets the needs of small businesses across Canada. Visit www.canadabusiness.ca.

- **BizPaL**, a time-saving tool, is another one-stop shop where entrepreneurs can access permit and licence information from multiple levels of government. Now available to more than 50 percent of our country's population. Visit www.bizpal.ca.

See how the Government of Canada's red tape reduction has helped this business.



Name: **Dirk Propp, President**
Company: **International Immigration and Business Consulting (IIBC)**
Location: **Saskatoon, Saskatchewan**
Started: **2007**
Employees: **6**
www.iibc.ca

BACKGROUND: An avid traveller who taught English around the world, Dirk Propp's impetus to start an immigration consulting firm sprang from his passion to help people. IIBC specializes in providing business strategies to hire foreign workers, primarily for the skilled trades, and has branches in Mexico and Poland. The company also operates SaskJobCafe (saskjobcafe.com), an online job-matching site.

START-UP CHALLENGE: As a new consultant with irregular income, Mr. Propp was unable to access start-up financing from a bank. "No one wanted to give a loan to a non-asset-based company."

SUPPORT ACCESSED: "The Canada-Saskatchewan Business Service Centre introduced me to the canadabusiness.ca website to help me write a business plan, gave me valuable market research and industry information and pointed me in the right direction to get a Canadian Youth Business Foundation loan."

FEEDBACK: "I recommend the Centre to everyone who comes into my office and wants to start a business. It's a one-stop source for all the market research and information you need. I wouldn't be in business today if it were not for the Centre."

ADVICE: Find a mentor. "Mentors are so valuable to small business owners because they help you avoid costly mistakes that can put you out of business when you start out and are trying to grow."

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and services for you

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