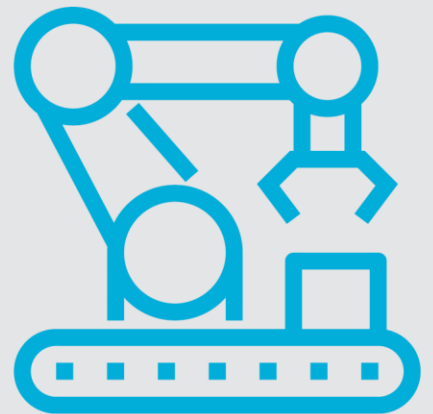
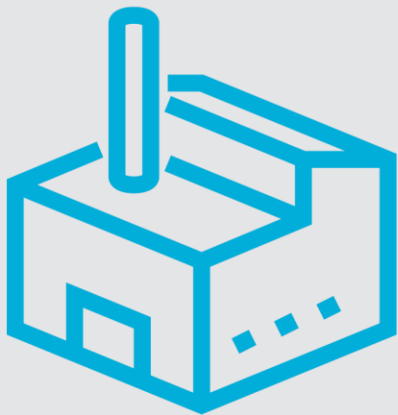


Capital Investment Tax Credit (CITC) Program Guidelines



Tax credit to encourage manufacturing, processing and tourism infrastructure companies to make capital investment in Alberta.

Capital Investment Tax Credit Program
Published by Alberta Economic Development and Trade
January 2019
© 2019 Government of Alberta.

This publication is issued under the Open Government License – Alberta (<http://open.alberta.ca/licence>).

Table of contents

Program Overview	4
Eligibility Criteria	4
Funding	5
How to Apply	6
Step 1: Creating a User Profile.....	6
Step 2: Applying for Conditional Approval.....	6
Step 3: Reporting on Progress	7
Step 4: Applying for the Tax Credit Certificate	7
Step 5: Receiving the Tax Credit.....	7
Eligible Business Activities	8
Ineligible Business Activities	10
Economic Impact Assessment Criteria	12
Application Dates	13
Reporting Requirements	13
Additional Information	14

Program Overview

The Capital Investment Tax Credit (CITC) program encourages companies to make timely capital investments by returning a percentage of the company's costs, including the purchase of machinery, equipment and buildings, for projects related to manufacturing, processing and/or tourism infrastructure that will spur economic diversification and job creation.

The CITC provides a non-refundable tax credit valued at 10 per cent of a corporation's eligible capital expenditures, up to \$5 million per calendar year. The CITC encourages companies to make timely investments by returning a percentage of the company's capital costs on expenditures such as the purchase of machinery, equipment and buildings.

Applying for the CITC has two stages: the application for conditional approval and the application for the tax credit certificate after the investment has been made. The application for conditional approval is a competitive process.

Conditional approvals are limited to one per corporation, per calendar year.

Corporations must keep records, receipts, contracts, and any other appropriate documentation to prove the investment was completed as indicated in the Approved Investment Plan.

Once the tax credit certificate has been issued, its value can be carried forward and applied against corporate income taxes owed until the value of the credit is used up, for up to 10 years.

Eligibility Criteria

Alberta businesses conducting manufacturing, processing or tourism infrastructure activities are eligible to apply.

To be eligible, a corporation must:

- be incorporated, continued or registered in Alberta under the Business Corporations Act;
- be involved in the business activities of manufacturing or processing goods for sale or lease, or be providing or operating tourism infrastructure in specific NAICS categories in Alberta for at least 120 consecutive days in a 12-month period;
- be making a total program eligible investment value of at least \$1 million; and
- satisfy any conditions for eligibility set out in the *Investing in a Diversified Alberta Economy Act* and the Alberta Capital Investment Tax Credit Regulation.

Eligible Qualified Property – or a property/purchase that is eligible for a tax credit – must be acquired by the eligible corporation to be used primarily for:

- manufacturing or processing of goods for sale or lease as defined in subsections 127(9) and (11) of the federal [Income Tax Act](#), with the exclusion of Section 127(9)(b.1)
- providing or operating tourism infrastructure (as described in Eligible Business Activities section) that, subject to the regulations, is property, or in a class of property, included in Schedule II of [federal Income Tax Regulations](#) .

Please note: The Eligible Qualified Property must be acquired after December 31, 2016. For more information on eligible and ineligible business activities, please refer to the appropriate sections on pages 6 to 8.

Eligible Costs: According to the Federal Government's Capital Cost Allowance classes, costs include tangible assets and related expenditures. When applying, please ensure the Estimated Capital Cost for each item of Eligible Qualified Property includes all related soft costs, i.e., engineering, installation, etc. Please note that the purchase of land is ineligible for the tax credit.

Funding

The CITC offers a 10 per cent tax credit on capital expenditures, up to a maximum of \$5 million per year.

Maximum tax credit value: The maximum tax credit amount that may be granted to a corporation is \$5 million per year.

Minimum investment required: The total eligible investment value must equal or exceed \$1 million per application, per business.

Carry forward period: Since the CITC is non-refundable, corporations can only claim the tax credit when they are profitable and paying taxes. The 10-year carry forward period means that businesses have 10 years from when the credit is granted to apply the tax credit against their taxes.

Timing: The investment should be completed within two years of the date of the conditional approval letter. An extension may be requested by the corporation with rationale, pending approval by the Minister of Economic Development and Trade.

Government assistance maximum: No more than 30% of the capital cost of an eligible qualified property can come from government assistance—including this tax credit. The specific types of support that are ineligible under Government Assistance is defined by the federal *Income Tax Act* Section 127(9).

How to Apply

Intake windows will be advertised on the CITC website.

Please note: Samples of all necessary application forms are available on the CITC program webpage.

Step 1: Creating a User Profile

Applicants can access an online application portal through the CITC program website during each intake period.

Applicants will be prompted to create a user account with a secure login name and password. Once the account has been created, applicants will gain access to the online portal, which will host live application forms and templates available for submission during each intake window.

Step 2: Applying for Conditional Approval

Once the user profile has been created, applicants must complete and submit an online **Application Form for Conditional Approval**. As part of their submission, applicants will also be required to fill out and submit a **Proposed Investment Plan Form** and an **Economic Impact Assessment Form** which is available through the online application portal during each intake window.

The CITC is a competitive process and eligible applications will be evaluated by CITC program staff and scored against the evaluation criteria as described below in the Economic Impact Assessment Criteria section. As part of their online application, applicants are encouraged to attach documentation that supports the Economic Impact Assessment. Successful applicants will receive a **Conditional Approval Letter** along with an **Approved Investment Plan** that describes the eligible qualified property and the maximum tax credit value that will be available. The Conditional Approval Letter will include a date and the maximum value of the tax credit available to the corporation.

Please note:

- The Eligible Qualified Property must be acquired after December 31, 2016, but within two years of the date of issuance of the Conditional Approval Letter.
 - The Eligible Qualified Property must not be available for use prior to the date of the application.
- Government assistance maximum: No more than 30% of the capital cost of an eligible qualified property can come from government support—including this tax credit. Applicants are asked to provide any documentation that relates to government funding as part of their application.

Please note:

- Corporations may submit more than one application (Proposed Investment Plan) per intake window, but an eligible corporation can receive only one Conditional Approval Letter with an Approved Investment Plan per calendar year.
- Corporations can submit one application (Proposed Investment Plan) with more than one eligible qualified property.

Step 3: Reporting on Progress

Once the Conditional Approval Letter is issued, the corporation must provide a progress report every 180 days from the date of the Conditional Approval Letter until the investment is complete. The progress report must include:

- The status of what eligible qualified properties listed by the corporation in the approved investment plan are available for use.

Please note:

- Forms for progress reporting will be available in the online portal.
- If the progress report indicates that the corporation will not be going ahead with the investment, the Minister may withdraw conditional approval to the corporation.
- Proof of progress may need to be submitted at this time, for example, planning permission application, receipts etc.

Step 4: Applying for the Tax Credit Certificate

Once the Eligible Qualified Property has been purchased and is available for use, the Corporation must submit an **Application Form for Tax Credit Certificate**, which will be available through the online application portal, along with an updated **Status Report** of the Approved Investment Plan and an updated **Economic Impact Assessment**. Program staff will review the information submitted and evaluate it against the application details that received conditional approval.

Please note: The Corporation must declare they will hold the eligible qualified property in Alberta for at least one year from the day of issuance of the Tax Credit Certificate.

Step 5: Receiving the Tax Credit

Based on how closely the corporation met the details of the Approved Investment Plan and Economic Impact Assessment, the Minister may grant a full credit, a reduced credit or refuse to issue a tax credit.

If an investment is completed in the manner described in the Approved Investment Plan and Economic Impact Assessment, the corporation will receive the full value of the tax credit as listed in the Conditional Approval Letter. If the investment does not go ahead as detailed in the Approved Investment Plan and Economic Impact Assessment, the corporation may not receive the tax credit or the corporation may receive a reduced value tax credit.

Tax Credit Certificates will be issued once the department has completed its review.

Please note: If the corporation wishes to request a reconsideration of the decision made in regards of the allocation of the tax credit, the corporation may do so in writing, within 30 days after being notified of the decision.

Eligible Business Activities

1. Manufacturing and Processing

The manufacturing of goods normally involves the creation of something (e.g., making or assembling machines, clothing, soup) or the shaping, stamping or forming of an object out of materials (e.g. making steel rails, wire nails, rubber balls, wood moulding).

The processing of goods usually refers to a technique of preparation, handling or other activities designed to effect a physical or chemical change in an article or substance, other than natural growth.

Manufacturing and processing for the purposes of the CITC is defined as described in the federal *Income Tax Act* Section 125.1(3).

The manufacturing and processing of clean energy products for sale has been deemed an eligible activity. While the generation of clean energy for internal use has also been deemed an eligible activity, the generation of clean energy for sale is considered ineligible.

2. Providing or Operating Tourism Infrastructure

This includes development and operation of a destination tourist resort, attraction or a tourist service. Eligibility under this category is based on descriptions from the North American Industry Classification System (NAICS).

Resorts (NAICS 721113): This includes establishments primarily engaged in providing short-term lodging. Resorts are designed to accommodate vacationers and provide full-service suites and guest rooms, typically in a non-urban setting next to lakes, rivers or mountains.

Establishments of this type often provide access to conference facilities. These establishments feature extensive indoor and/or outdoor leisure activities, retail, commercial, and restaurant or food services on the premises on a year-round basis. Examples include, but are not limited to:

- Resorts with integrated health spa facilities (such as Nordic spa and yoga retreat)
- Ski lodges and resorts

Skiing facilities (NAICS 713920): This includes establishments primarily engaged in operating downhill and cross-country skiing areas and equipment, such as ski lifts and tows. These establishments often provide retail, commercial, equipment rental, ski instruction and restaurant or food services. Examples include, but are not limited to:

- Alpine skiing facilities
- Cross country skiing facilities
- Downhill skiing facilities
- Ski lift and tow operation
- Ski resorts, without accommodations

All other amusement and recreation industries (NAICS 713990): This includes establishments primarily engaged in operating recreation and amusement facilities and services. These establishments also provide retail, commercial, and restaurant or food services. Examples include, but are not limited to:

- Outdoor adventure operations (such as white water rafting, zip lines or water slides), without accommodation
- Hunting or fishing guide services
- Off Highway Vehicle (OHV) and snowmobile parks

Recreational vehicle (RV) parks and campgrounds (NAICS 721211): This Canadian industry comprises establishments primarily engaged in operating serviced or unserviced sites to accommodate campers and their equipment, including tents, tent trailers, travel trailers and recreational vehicles (RVs). These establishments may provide access to facilities, such as washrooms, laundry rooms, recreation halls and facilities, and stores and snack bars.

Examples include, but are not limited to:

- accommodation services, camping grounds and trailer parks
- campground
- tourist camping park

Recreational and Vacation Camps (NAICS 721213): This Canadian industry comprises establishments primarily engaged in operating overnight recreational camps, such as children's camps, family vacation camps, and outdoor adventure retreats that offer trail riding, white-water rafting, hiking and similar activities. These establishments provide accommodation facilities, such as cabins and fixed camp sites, and other amenities, such as food services, recreational facilities and equipment, and organized recreational activities.

Examples include, but are not limited to:

- Outdoor adventure retreats (with accommodation)
- Recreation camps
- Wilderness camps such as children's camps, family vacation camps, and outdoor adventure retreats that offer trail riding, white-water rafting, hiking and similar activities

Hunting and fishing camps (NAICS 721212): This includes establishments that provide a range of services such as lodging, meals and guide services for hunting and fishing. Examples include, but are not limited to:

- Hunting and fishing camps
- Outfitters (fishing and hunting)

Scenic and sightseeing transportation (NAICS 487): This includes establishments primarily engaged in providing recreational transportation. Examples include, but are not limited to:

- Sightseeing or dinner cruises
- Steam train excursions
- Horse-drawn sightseeing rides
- Air-boat rides or hot-air balloon rides
- Charter fishing services

Ineligible Business Activities

In accordance with the federal *Income Tax Act*, manufacturing or processing does not include:

- farming or fishing,
- logging,

- construction,
- operating an oil or gas well or extracting petroleum or natural gas from a natural accumulation of petroleum or natural gas,
- extracting minerals from a mineral resource,
- processing
 - **(i)** ore (other than iron ore or tar sands ore) from a mineral resource located in Canada to any stage that is not beyond the prime metal stage or its equivalent,
 - **(ii)** iron ore from a mineral resource located in Canada to any stage that is not beyond the pellet stage or its equivalent, or
 - **(iii)** tar sands ore from a mineral resource located in Canada to any stage that is not beyond the crude oil stage or its equivalent,
- producing industrial minerals,
- producing or processing electrical energy or steam, for sale,
- processing natural gas as part of the business of selling or distributing gas in the course of operating a public utility,
- processing heavy crude oil recovered from a natural reservoir in Canada to a stage that is not beyond the crude oil stage or its equivalent,
- Canadian field processing, or
- any manufacturing or processing of goods for sale or lease, if, for any taxation year of a corporation in respect of which the expression is being applied, less than 10% of its gross revenue from all active businesses carried on in Canada was from
 - **(i)** the selling or leasing of goods manufactured or processed in Canada by it, and
 - **(ii)** the manufacturing or processing in Canada of goods for sale or lease, other than goods for sale or lease by it.

In accordance with Section 56(2) of the Investing in a *Diversified Alberta Economy Act*:

- Energy generation is not an eligible activity.

Economic Impact Assessment Criteria

Applications will be evaluated through a competitive process. Each eligible application will be reviewed against the following criteria based on the following categories:

- **Size of investment:** a larger investment may have a greater economic impact and more sustainable economic growth.
- **Timeliness of investment:** the sooner the investment is made, the faster the achievement of economic development goals.
- **Employment impacts:** number of jobs created in Alberta, both temporary and permanent.
- **Inclusion of under-represented* people or groups:** existence of corporate policies, public or internal, that are designed to improve inclusion of underrepresented people or groups.
 - *Under-represented means those racial, gender, ability, ethnic or some other unique, identifiable populations that are under-represented in some area relative to their numbers in the general population. Under-represented groups may include, for example, indigenous peoples, youth, women, immigrants, persons with disabilities, veterans, older workers, people on low incomes, and veterans.
- **Modernization or productivity improvements:** increasing productivity, competitiveness and value of products and services.
- **New product/service development:** creating new products and services that offer opportunities for business growth and innovation.
- **Diversified customer base:** business growth, resilience and competitiveness through expanding and diversified customer base.
- **Supply chain impacts:** how the investment connects the corporation to other Alberta businesses through the supply chain.
- **Environmental performance:** environmental non-market benefits and long-term measures of well-being and quality of life for Albertans, intended to be consistent with goals and initiatives of the [Alberta Climate Leadership Plan](#).
- **Community impact:** enhancement of local economic, social or environmental conditions in the community where the investment is located.

- **Regional impact:** geo-location of the investment in a region that is facing declining population, which may result in new opportunities for growth and enhancing regional sustainability.

Application Dates

Application windows will be approximately every 180 days.

Dates for upcoming application intake windows are shared on the [program webpage](#) when finalized.

Reporting Requirements

An eligible corporation that receives a Conditional Approval Letter must report to the Minister of Economic Development and Trade every 180 days after the date of issuance of the letter, or at the Minister's request, on the status of the approved investment plan.

Reporting forms will be available through the online application portal.

- A Progress Report must be submitted every 180 days until the investment is complete.
- The corporation must report any contravention of *Investing in a Diversified Alberta Economy Act* within 30 days of the contravention.
- The corporation must report any of the following changes within 30 days of the occurrence of the changes:
 1. an amalgamation as described in subsection 87(1) of the *Income Tax Act*, of corporations described in subsection 87(1.1) or (1.2) of the *Income Tax Act*;
 2. the dissolution of the corporation;
 3. the winding-up of an eligible corporation that is a subsidiary if the rules in subsection 88(1) of the *Income Tax Act* applied to the winding-up of the subsidiary;
 4. any other prescribed change respecting the corporation, and must report on the status of the approved investment plan at the time of the amalgamation, dissolution, winding-up or other prescribed change.

Additional Information

Extensions

The Minister may extend, with or without conditions, the time limit for the doing of anything under the *Investing in a Diversified Alberta Economy Act* or the regulations and may grant the extension even if the time limit to be extended has expired.

Recognition

Investments eligible for tax credits through the program are required to acknowledge Government of Alberta support for the initiative. Any public announcement will be in consultation with and approval of the Government of Alberta as to the contents of the announcement. The Government of Alberta also reserves the right to make a joint public announcement on any investments eligible for tax credits through the program. For coordination of announcements and to receive appropriate communications materials, please contact the Program Administrator at CITC.program@gov.ab.ca.

Freedom of Information and Privacy (FOIP)

The *FOIP Act* applies to any information that is provided to the Ministry of Economic Development and Trade. This information may be disclosed in response to an access request under the *FOIP Act*, subject to any applicable exceptions to disclosure under the Act. The personal information that is provided on the program application form will be used for the purpose of administering the CITC program.