

Community Economic Development Corporation Tax Credit Program Information

For Investors

Overview

The Community Economic Development Corporation (CEDC) Tax Credit program offers a 30 per cent tax credit to eligible investors investing in CEDCs. There are two types of eligible CEDCs; Opportunity Development Co-operatives (ODCs) and Community Economic Development Investment Funds. Eligible investors purchase shares in registered CEDCs and in turn CEDCs provide equity capital to small Alberta businesses and co-operatives engaged in rural economic development or the improvement of a social challenge.

To qualify for a tax credit an investor must invest in a CEDC that has successfully registered with the program. Investors cannot invest directly into Eligible Community Businesses (ECBs) and receive a tax credit.

Tax credit certificates are issued on a first-come, first-served basis until the annual budget is expended. Investors can view the remaining budget available for tax credits online at:

www.alberta.ca/community-economic-development-corporation-tax-credit.aspx.



Requirements for Investors

Shares acquired from the CEDC must be fully paid for in cash.

Eligible investors may include, but are not limited to:

- friends, family and associates of the business;
- corporate investors;
- accredited investors (e.g. angel investors);
- venture capital corporations; and
- non-accredited investors, provided the investment meets the Alberta Securities Commission requirements on prospectus exempt investments.

Entities who are not eligible for the program include trusts, estates and investors that do not file taxes in Alberta.

Eligible investors must not:

- Have sold or otherwise disposed of shares in the ECB within the previous two years.
- Own more than 50 per cent of voting shares in an ECB either alone, or in conjunction with affiliates and/or associates. Definitions of affiliates and associates can be found in Section 2 of the [Investing in a Diversified Alberta Economy Act](#).

Funding

For corporate investors, the program offers a non-refundable tax credit. Under the program, A CEDC can only raise up to \$3 million in direct investments from corporate and individual investors over the previous 12-months. As a result, the maximum a CEDC can directly invest into a single ECB is \$3 million. Unused corporate tax credits may be carried forward for up to four years.

For individual investors, the program offers a refundable tax credit. A rolling maximum credit of \$300,000 is available. Each year a maximum of \$60,000 can be applied, and unused tax credits may be carried forward for up to four years. For more information, please see the program guidelines.

Use of equity capital raised

The equity capital provided by investors to a CEDC must be used to invest in ECBs. This does not include payment of debt, investment outside of Alberta, or other prohibited uses of funds outlined in Section 13 of the [CEDC Regulations](#). Eligible activities for ECB investments are:

- economic development in a rural community:
 - gaining access to new markets or developing new products in the rural community;
 - offering new business opportunities in the rural community;
 - maintaining a business' presence in the rural community; and/or
- contributing to the improvement of a social challenge such as:
 - increasing access to consumer goods and services that improves the community's economic or social challenge;
 - providing services or training to employees to help them overcome a social challenge.



Tax Credit Certificates

Each investor must provide his or her personal and/or corporate information to the CEDC, who will apply for the tax credit certificate on their behalf. Certificates will be available upon approval of the request for tax credit and provided to the CEDC, who is responsible for distributing it to the investor.

Tax credits are applied to the investor's personal or corporate taxes filed at the appropriate time. Tax credit certificates do not need to be attached with annual returns but should be retained as records for supporting documentation if needed.

Holding Requirements

Eligible investors are not required to hold their shares in the CEDC for a specified amount of time.

Tax Credit Revocation

The Government of Alberta may revoke or withhold a tax credit certificate if program staff determine that at the time the tax credit certificate was issued, or at a subsequent time, the investor was in contravention of the [Investing in a Diversified Alberta Economy Act](#) or the [CEDC Regulations](#). If the investor is found to be non-compliant, the investor may be required to repay the value of some, or all, of the tax credits issued.

Questions?

Please contact the CEDC program team by email at CEDC.program@gov.ab.ca

For more information about the CEDC program, or to download the program guidelines, please visit:

www.alberta.ca/community-economic-development-corporation-tax-credit.aspx.