

Guidelines

Innovation Rebate Program



1. Program Objective

The Innovation Rebate Program (“IRP”) is intended to incent high-value investments by Nova Scotia’s advanced manufacturing companies, as they scale to increase their competitiveness through product development and enhancement, improvements in production, reducing or finding new uses for waste, strengthening supply chains to enable production in Nova Scotia, and investment in production capacity to enter new markets. The program supports the purchase and implementation of machinery, equipment, software, and processes that enable companies to innovate, drive productivity, increase production capacity, and adopt cleaner and more sustainable approaches to growth across Nova Scotia.

The IRP (“the Program”) provides financial incentives for projects that assist Nova Scotia companies as they scale to increase their competitiveness through product development and enhancement, improvements in production, reducing or finding new uses for waste, strengthening supply chains and investment in production capacity to enter new markets, produce new products and/or connect to global value chains. The Program supports businesses as they continue to recover, evolve, and grow in sustainable and innovative ways.

The Program will assist existing Nova Scotian companies and firms new to the province with a planned permanent establishment. Eligible expenditures will include direct costs of Eligible Projects as defined in these guidelines.

2. Eligible Companies

To have a project approved by Invest Nova Scotia for purposes of the IRP, each applicant under the IRP (“Company”) must:

1. Be a taxable Canadian corporation as defined in [subsection 89\(1\) of the Income Tax Act \(Canada\)](#) which was incorporated in Canada (either federally or in one of the provinces).
2. Have a permanent establishment in Nova Scotia and be in operation for a period of at least 12-months, or a planned permanent establishment (as defined in [subsection 400\(2\) of the regulations to the Income Tax Act \(Canada\)](#)) in the case of new companies to the province.
3. Must be a Nova Scotia registered business in good standing (current registration on the Registry of Joint Stock Companies) prior to receiving any funds from Invest Nova Scotia.
4. Demonstrate, to the satisfaction of Invest Nova Scotia, that it is financially viable and has reasonable prospects for continued growth and success.
5. Be in compliance with the [Income Tax Act \(Canada\)](#), the [Environment Act \(Nova Scotia\)](#), [Occupational Health and Safety Act \(Nova Scotia\)](#) and [Labour Standards Code \(Nova Scotia\)](#), and the [Accountability in Economic Development Assistance Act \(Nova Scotia\)](#).

3. Eligible Projects

An Eligible Project is a project approved by Invest Nova Scotia for purposes of the IRP and may include:

- Implementation of new, significantly improved, and/or more sustainable production processes;
- Supporting the principles and goals of Nova Scotia's Environmental Goals and Sustainable Prosperity Act by increasing the sustainability of traditional industries. This can include improving energy efficiency, integration of the use of renewable energy, waste reduction, circular economy activities, greenhouse gas emissions reduction and increasing resilience to the impact of climate change; and
- Scaling production capacity for companies producing sustainable and green products that will support Nova Scotia and other jurisdictions in meeting their sustainable prosperity goals.
- Strengthening supply chains to enable production in Nova Scotia (projects that replace existing Nova Scotia based producers are not permitted).
- Increasing production capacity to enter new markets and/or produce new products;
- Establishing new production facilities in Nova Scotia;
- Value-added processing for traditional industries such as forestry, seafood and agriculture (excludes harvesting and extraction)

An Eligible Project must have a minimum total budgeted Nova Scotia investment (excluding tax) of no less than \$350,000. The maximum amount of Eligible Project Costs to which the IRP rebate will be applied is \$15,000,000.

For specific queries on eligible and ineligible expenses, please reach out to a [Regional Business Development Advisor](#).

It is acknowledged that IRP rebates are intended for Eligible Projects that, but for the IRP, would not otherwise likely be undertaken. As such, an Eligible Project must be approved by Invest Nova Scotia for purposes of the IRP prior to the substantial commencement of the Project. For purposes of the IRP, "substantial commencement" means any action that, in the sole discretion of Invest Nova Scotia, indicates a substantial commitment to the Project prior to the determination of the availability of the IRP rebate.

4. Eligible Project Costs

The Company will submit a schedule of project costs at the time of application. Eligible Project Costs will be determined by Invest Nova Scotia upon approval of the Eligible Project under the IRP. Eligible Project Costs must be a direct cost of the Eligible Project and can include:

- Direct costs of advanced machinery, equipment, technology, software, and hardware, including associated transportation and commissioning costs; Must represent a minimum of 50% of the total Eligible Project;
- Used equipment costs (if applicable)

- New building or building alterations related to the commissioning of equipment or implementation of business process improvements;
- Consulting, engineering, and subcontracting expenses directly related to the Eligible Project;
- Company incurred labour and wage costs for work performed directly on the Eligible Project; and
- Cost of industry or product certifications required for entry into new markets;

The schedule of project costs shall disclose any related party transactions (if applicable).

For greater certainty:

- Used equipment may be eligible provided it meets the criteria and was not originally purchased with other prior federal, provincial or municipal government assistance.
- Rolling stock (all trucks, trailers, tractors, service vehicles, railroad vehicles, automobiles and other registered mobile equipment) and watercraft are excluded from Eligible Project Costs.
- Related party transactions must be at market rate. Invest Nova Scotia requires satisfactory evidence of the market rate.
- Expenditures eligible for incentives under the [Nova Scotia Capital Investment Tax Credit \(CITC\)](#) are excluded from Eligible Project Costs.
- Expenditures and projects that are already receiving Invest Nova Scotia incentives such as a payroll rebate may be excluded from IRP eligibility.
- Taxes are not included in Eligible Project Cost.
- The maximum amount of Eligible Project Costs to which the IRP rebate will be applied is \$15,000,000.

The IRP is intended to supplement existing federal and provincial incentives. Invest Nova Scotia reserves the right to remove from the calculation of the Eligible Rebate Amount (Rebate Amount), any Eligible Project Costs that are eligible for assistance through any other federal or provincial incentive, and where the inclusion of these costs would represent a replacement of the federal or provincial funding with the IRP rebate.

5. Eligible Rebate Amount

A Company will be eligible for an IRP **rebate of 25% of Eligible Project Costs**.

The maximum Rebate Amount for an Eligible Project, including related parties, cannot exceed \$3,750,000. The Eligible Rebate Amount, including conditions for earning additional IRP rebate amounts, will be identified upon approval of the Eligible Project and provided in the Letter of Offer.

Approved projects must be completed within 3 years from the date an application is approved. The Eligible Rebate Amount will be identified upon approval of the Eligible Project and provided in the Agreement.

6. Application and Approval Process

Companies must complete and submit an application to the Invest Nova Scotia [Regional Business Development Advisor](#) for their region. There is no application fee for this Program.

An application to the IRP must include:

- Completed application form, which will include project timelines, identification of key technical and management resources, budgets, anticipated impacts of the project on the Company's sustainability, and/or competitiveness in global markets;
- Schedule of Eligible Project Costs;
- Historical financial statements of the Company and any additional financial information, as required by Invest Nova Scotia, to assess the financial viability of the Company; and
- Any other information required by Invest Nova Scotia to evaluate the request.

Upon approval of the Eligible Project under the IRP, the Company and Invest Nova Scotia will enter into a Letter of Offer which will include, but not be limited to:

- List of Eligible Project Costs;
- The Eligible Rebate Amount;
- Project completion date; and
- Reporting Requirements.

Approval under the IRP will be evidenced by a Letter of Offer between Invest Nova Scotia and the Company, which will outline the terms of the rebate.

Approval under the IRP is subject to budget availability. Applications must be received, and a Letter of Offer must be executed, prior to substantial commencement of the Project.

7. Evaluation Criteria

Applications will be evaluated for eligibility based on the Program Guidelines, the Company must demonstrate to the satisfaction of Invest Nova Scotia that:

- The proposed investment will have a beneficial impact on the Company's ability to compete in new markets, produce new products, increase production capacity, and/or efficiency.
- The Project is aligned with the sustainable prosperity goals in the Province's [Environmental Goals and Climate Change Reduction Act](#) ("sustainable prosperity" means prosperity where economic growth, environmental stewardship and social responsibility are integrated and recognize being interconnected);
- The Project is aligned with provincial economic development priorities (refer to the current Business Plan, or "[Independent Review of Forest Practices in Nova Scotia](#)" for projects related to forestry).
- The Company has properly evaluated the technical feasibility of the Project;
- The Company has access to the required technical and project management expertise to complete the Project;
- The Company possesses the required financial resources to complete the Project;
- The project will not lead to the replacement or displacement of product currently sourced from Nova Scotia based producers.
- The proposed investment will be assessed in relation to Canada's trade obligations.

8. Claim Process Summary

Upon completion of the Eligible Project, the Company will submit a Disbursement Claim.

Reporting requirements to verify project costs, in support of a Disbursement Claim, will be provided in the Agreement.

There are three levels of financial reporting depending on the final cost of the Eligible Project. All reports must include a breakdown of the project costs incurred per the Eligible Project and Eligible Project Costs table provided in the Agreement. Any variance between the reported costs and the Eligible Project Costs table in the Agreement must be addressed in the report. The report must also include a list of all personal property funded through the IRP, including a description of the personal property and identification details of the personal property such as name, make, model, serial numbers and/or any other such information that will identify said property.

The reporting requirements are listed as follows for each of the three levels upon completion of the Eligible Project:

Financial Reporting Requirements:

- a. Final cost of the Eligible Project exceeds \$1,000,000:
 - i. Independent Practitioner's Reasonable Assurance Report, in accordance with Canadian Standard on Assurance Engagements 3530, Attestation Engagements to Report on Compliance.
- b. Final cost of the Eligible Project is greater than \$500,000 up to \$1,000,000:
 - i. Project Costs Summary with a Review Engagement Report prepared by a 3rd party external Auditor CPA.
- c. Final cost of the Eligible Project is equal to or less than \$500,000:
 - i. An uncertified Final Cost Report supported by a Statutory Declaration of Final Project Costs (Declaration template provided by Invest Nova Scotia).

Other documentation could be requested to verify project costs and may include, but not be limited to, the following:

- Invoices and acceptable external proof of payment for purchases of goods or services from external suppliers;
- Engineer's certificate confirming project completion;
- Independent appraisals to support market rates in the case of related party transaction;
- Project cost reports in support of Company incurred labour and wage costs; and
- Management representation letters verifying information provided for purposes of the claim.

The Company consents to Invest Nova Scotia having full access to the external auditors including any documentation provided to the auditor for purposes of preparing the report, or in

the case of a company-prepared report, any information used for the purposes of preparing the Final Cost Report.

9. Project Completion and Audit Process Summary

The Company must retain ownership and beneficial use of equipment funded through the IRP for a period of five (5) years following the completion of the Eligible Project and the equipment must remain in Nova Scotia during that time. If the Company fails to comply, the Company agrees to repay Invest Nova Scotia the amount disbursed to it under the IRP with respect to those Eligible Project Costs.

Upon completion of the Eligible Project, the Company agrees to provide such other information as Invest Nova Scotia may reasonably request from time to time during the five-year period. Invest Nova Scotia shall have the right, acting in its sole discretion, to audit the Company's records and documentation related to Eligible Project. The Company will also be subject to periodic site inspections and/or third-party verification.

Annually, for two (2) years following the completion of the Project, the Company shall participate in Invest Nova Scotia's corporate data collection process. Invest Nova Scotia may request data on the impact of the Program to the Company's business including, but not limited to, sales, cost reductions, productivity improvements, enhanced competitiveness, increased profits, improved product quality, payroll and other factors which Invest Nova Scotia considers relevant. Failure to participate in the data collection process within the given timeline may impact the Company's future funding and application eligibility with Invest Nova Scotia.

10. Freedom of Information and Protection of Privacy Act

Information collected relating to the IRP is subject to, and will be treated in accordance with, the [Freedom of Information and Protection of Privacy Act \(Nova Scotia\)](#).

11. Revocation of Letter of Offer

A Letter of Offer may be revoked where Invest Nova Scotia is satisfied that:

- The Company will be unable to complete the Eligible Project within the timeframe provided in the Letter of Offer;
- The Eligible Project is no longer eligible under the IRP due to material changes in the Eligible Project plan;
- The Company has misrepresented any information provided for purposes of Invest Nova Scotia's evaluation of the Eligible Project.

Revocation may be made based on information discovered after the issuance of the Letter of Offer.

Where, for any reason:

- Invest Nova Scotia determines that the Company is not entitled to a rebate that has been paid to the Company under the IRP; or

- Invest Nova Scotia determines that the amount paid to the Company, under the IRP, exceeds the amount to which the Company is entitled,

the Company will repay to Invest Nova Scotia in full, no later than thirty (30) days after receipt of written notice from Invest Nova Scotia, the amount of the IRP rebate paid or the amount of the overpayment, as the case may be.

12. Termination

In the event of the Company becoming insolvent or making an assignment under the [Bankruptcy and Insolvency Act \(Canada\)](#), making a proposal to creditors under the *Bankruptcy and Insolvency Act (Canada)*, having an application filed against it for a bankruptcy order under the *Bankruptcy and Insolvency Act (Canada)*, taking or proposing to take the benefit of any provision of the [Companies Winding Up Act of Nova Scotia](#) or the Companies' Creditors Arrangement Act of Canada or such similar legislation, or ceases to carry on business in the Province of Nova Scotia, the issued Letter of Offer shall become null and void and the Company shall have no claim whatsoever for any portion of a Eligible Rebate Amount or additional rebate amounts.

13. Public Announcements

Approved companies will consent to participate in any public announcement and/or release of information relating to the IRP rebate and its purpose. The Company shall not make announcements related to the IRP rebate without prior approval of Invest Nova Scotia.

14. Accountability in Economic Development Assistance Act (Nova Scotia)

Applicants acknowledge and agree that particulars of their funding approval under these guidelines shall be disclosed to the public in accordance with the [Accountability in Economic Development Assistance Act \(Nova Scotia\)](#).

15. Contact Information

For more information, visit <http://www.investnovascotia.ca/irp>, or contact the [Regional Business Development Advisor](#) in your region.