

PROGRESSIVE TAX REBATE PROGRAM

ENRICHED INVESTMENT TAX CREDIT
USER GUIDE →



Prince
Edward
Island
CANADA

Enriched Investment Tax Credit User Guide

Table of Contents

1.	Program Summary	1
2.	Eligible Corporations	1
3.	Qualified Property	1
4.	Process Summary	1
5.	Criteria for an Enriched Investment Tax Credit	2
6.	Application for an Enriched Investment Tax Credit Certificate	3
7.	Approval & Issuance, Enriched Investment Tax Credit Certificate	3
8.	Requirement to Provide Information	3
9.	Freedom of Information and Protection of Privacy Act	3
10.	Revocation of Certificate	3
11.	Claiming the Enriched Investment Tax Credit	3
12.	Carry Forward Provision	4
13.	Amalgamation with a Corporation Holding a Certificate	4
14.	Winding-up of a Corporation Holding a Certificate	4
15.	Summary of Timelines and Deadlines	4
16.	Public Announcements	4
	Appendix: Application	from page 5

1. Program Summary

The Enriched Investment Tax Credit (EITC) is intended to advance the competitiveness of Prince Edward Island's manufacturing industry by encouraging investment for modernization and productivity improvement.

The Prince Edward Island Income Tax Act provided for a 10% Investment Tax Credit on qualified property (as defined below) for corporations involved in manufacturing and processing activities.

If export, as well as productivity or rural development criteria are met, the Enriched Investment Tax Credit provides a tax rebate for an additional 25% credit, through a certificate process.

2. Eligible Corporations

The Enriched Investment Tax Credit applies to companies participating in activities relating to manufacturing and processing (M & P) as applied by the Canada Revenue Agency.

The term "manufacturing and processing" activities is not defined in the Income Tax Act of Canada ("Federal Act"), although certain activities are listed as specific exclusions. Exclusions include most activities involving construction, farming, fishing, mining, logging, and petroleum and natural gas operations.

Administrative guidance provided by the Canada Revenue Agency suggests that manufacturing normally involves the creation of something, or the shaping, stamping or forming of an object out of something, and that processing of goods refers to a technique of preparation, handling, or other activity designed to effect a physical or chemical change in an article or substance, other than natural growth. Canada Revenue Agency Interpretation Bulletin IT-145R provides information to help in determining whether "manufacturing and processing" applies to particular industries, and, within an industry, where M & P starts and stops.

3. Qualified Property

"Qualified property" means machinery or equipment as prescribed for the purposes of paragraph (b) of the definition "qualified property" in subsection 127(9) of the Federal Act (acquired by the corporation after 1992). In general, the property must not have been used or leased before it was acquired by the corporation and will be used by the corporation in Prince Edward Island primarily for the purpose of manufacturing or processing.

It should be noted that not all qualified property for an approved project will necessarily be eligible for the additional 25% Enhanced Investment Tax Credit.

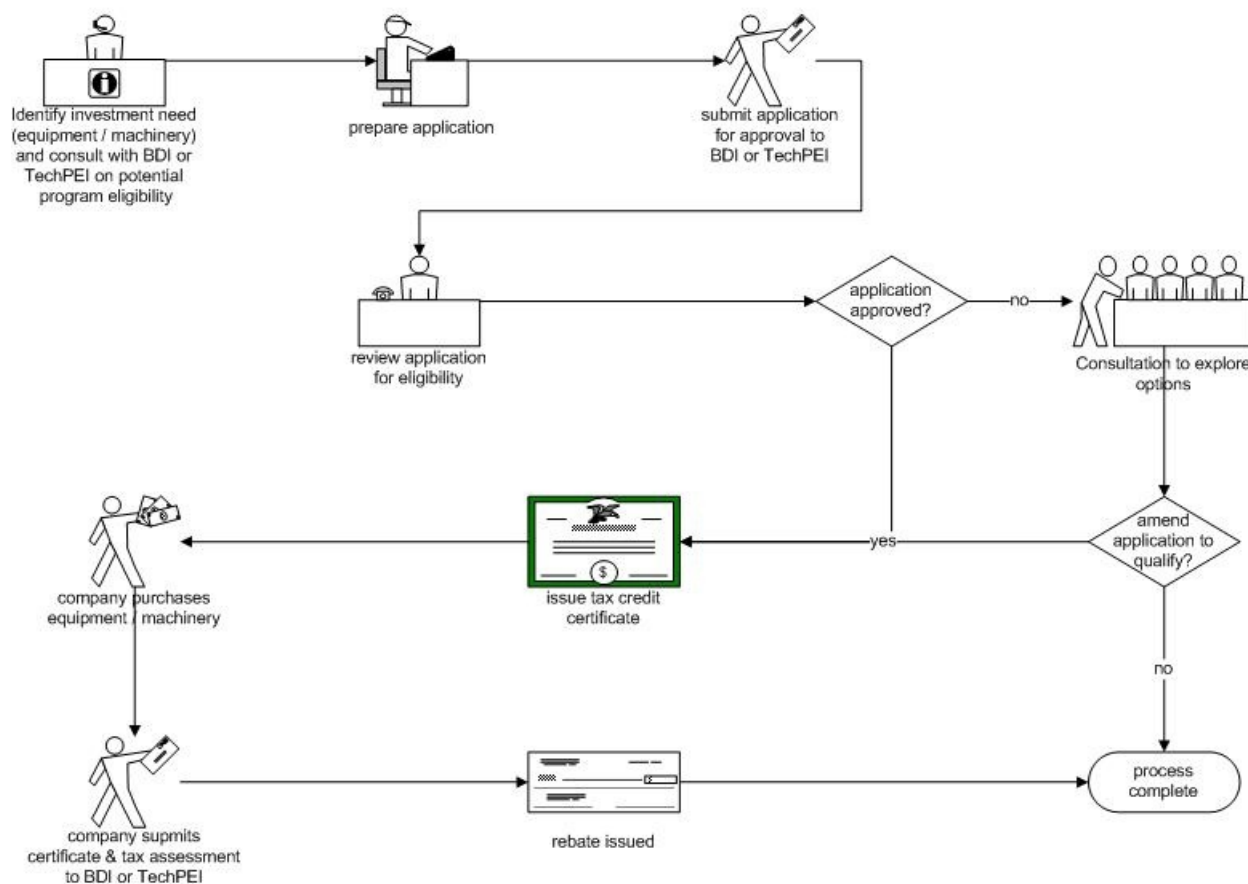
It is the responsibility of the company, and not the Province of Prince Edward Island, to ensure the property meets the definition of "qualified property". If property fails to meet the definition as defined in the Federal Act, an Enriched Investment Tax Credit Certificate will not be issued.

4. Process Summary

Companies involved in manufacturing and processing as defined, and which invest in qualified property, are entitled to claim the 10% investment tax credit without reference to government beyond the completion of the appropriate form with their income tax return. No other application or certification process is required.

To claim the additional 25% tax rebate under the Enriched Investment Tax Credit the company must apply for certification from the Department of Development and Technology, through PEI Business Development Inc. or Technology PEI, prior to purchasing the qualified property. The company will provide details of the investment and estimated costs. If approved, an Enriched Investment Tax Credit Certificate will be issued. On completion of the purchase the company will submit the Certificate, with the company’s annual income tax filing and notice of assessment, to PEI Business Development Inc. or Technology PEI, for the rebate cheque to be issued.

Enriched Investment Tax Credit Process



5. Criteria for an Enriched Investment Tax Credit

Eligible investment for the 25% Enriched Investment Tax Credit is limited to qualified property intended for the manufacture or processing of products which:

- are intended to be sold primarily outside of Prince Edward Island;
 - use advanced manufacturing and processing methods;
 - exceed labour productivity standards established for industry sectors and geographic locations; and
 - intend, where practical, to use products from Island suppliers.
- Other conditions when evaluating an applicant’s request for assistance will include:

- Potential for long-term viability;
- Qualifications and track records of managers;
- Cost benefit to the province;
- Availability of program funds;
- Import substitution;
- Environmental impact;
- Employment creation;
- Level of assistance from other government programs offered or available.

6. Application for an Enriched Investment Tax Credit Certificate

A company may apply for an Enriched Investment Tax Credit Certificate in respect of one or more qualified properties. The application will be made on the appropriate form, a copy of which is provided in the Appendix of this Guide, and the application must be made prior to the investment in the qualified property.

7. Approval & Issuance, Enriched Investment Tax Credit Certificate

On receipt, the application for an Enriched Investment Tax Credit Certificate will be reviewed. If the necessary conditions are found to apply, an Enriched Investment Tax Credit Certificate will be issued. The Certificate will provide the following information:

- the name of the corporation to which the certificate is issued;
- a description of each qualified property to which the Enriched Investment Tax Credit Certificate applies;
- the Enriched Investment Tax Credit rate applicable to each qualified property,
- other information specific to the particular application, as required.

8. Requirement to Provide Information

Upon completion of the acquisition and installation of the qualified property, PEI Business Development Inc. or Technology PEI may request information on initiative outcomes, such as impact on sales, incomes or productivity levels. The eligible corporation must agree to provide the requested information, which will be used to measure the success of the program.

9. Freedom of Information and Protection of Privacy Act

Information collected in connection with this Program is subject to, and will be treated in accordance with, the Prince Edward Island Freedom of Information and Protection of Privacy Act. For additional information see: www.gov.pe.ca/foipp.

10. Revocation of Certificate

A certificate may be revoked where Government is satisfied that the corporation was not eligible to have been issued the Enriched Investment Tax Credit Certificate, or that the property was not qualified property, on the basis of information discovered after the issuance of the Certificate.

11. Claiming the Enriched Investment Tax Credit

To claim and receive the rebate, a corporation entitled to the possession of an Enriched Investment Tax Credit Certificate will submit the Certificate to PEI Business Development Inc. or Technology PEI, with the annual income tax return and notice of assessment for the year for which the credit was issued. A rebate cheque will then be issued.

12. Carry Forward Provision

The Enriched Investment Tax Credit may be claimed against PEI Corporate Income Taxes for any of the seven years following the year in which they qualified property was acquired.

13. Amalgamation with a Corporation Holding a Certificate

Where, two or more corporations amalgamate (within the meaning of subsection 87(1) of the Federal Income Tax Act) and one or more of the corporations hold an Enriched Investment Tax Credit Certificate, the new corporation may be deemed to be the same corporation as each of its predecessor corporations.

14. Winding-up of a Corporation Holding a Certificate

Where a subsidiary is wound up and subsection 88(1) of the Federal Income Tax Act applies, and the subsidiary holds an Enriched Investment Tax Credit Certificate, the parent corporation may be deemed, for the purposes of this section, to be the same corporation as, and a continuation of, the subsidiary.

15. Summary of Timelines and Deadlines

A corporation is not eligible for an Enriched Investment Tax Credit Certificate unless the corporation applies for the Enriched Investment Tax Credit Certificate prior to making the investment in the qualified property.

16. Public Announcements

Participants will consent to participate in a public announcement and/or public ceremony, relating to the establishment of the company and related accomplishments, at a mutually agreeable time.

Appendix: Application

Enriched Investment Tax Credit Certificate Application



Corporate Information


Corporation Name:			
Business Identification Number:			
Mailing Address:		PEI Address, if different:	
Contact:	Title:	Telephone:	
Email:		Fax:	

Property Information *(More pages or a separate spreadsheet may be added.)*

Eligible Property	CRA Asset Class	Acquisition Date	Estimated Amount of Eligible Investment	Other Government Assistance	Estimated Net Cost

Certification *(To be signed by the Secretary and one other Officer of the Company.)*

On behalf of the corporation identified above, I hereby make application for an Enriched Investment Tax Credit Certificate. I certify that I am an authorized officer of the applicant corporation and that the information contained in this application and its attachments is true and correct to the best of my knowledge and belief. I agree to comply with the terms stated in the User Guide, including reporting requirements.	
Secretary Name	Officer Name
Signature	Signature
Date	Date

	Please return to: Prince Edward Island Department of Development & Technology Attention: Corporate Services Division P.E.I. Business Development Inc 94 Euston Street PO Box 910 Charlottetown Prince Edward Island C1A 7L9 Telephone: (902) 368-6300 Fax: (902) 368-6301	