



Québec

: A Dynamic and Profitable Business Environment

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Home

The key to Québec's success is the synergy that drives companies in the private sector, public research, universities, teaching hospitals and the major clinical research networks. Such links harness the power of convergence and collaboration, both multidisciplinary and multi-centric, and allow Québec to stand out through innovation and creativity.

Make you Creative Breakthroughs in Québec

Québec ranks among the 10 most important health sciences industrial pools in North America. Here's why!

They Chose Québec

- The ten largest pharmaceutical companies in the world have established operations in Québec: their Canadian head office, important sites for fundamental research or major manufacturing facilities. They are: AstraZeneca, Bristol-Myers Squibb, GSK, Johnson&Johnson, Merck Frosst (Merck), Novartis, Pfizer, Roche Diagnostics, Sanofi-Aventis and Wyeth.
- More than 20 international pharmaceutical firms have their Canadian headquarters here.
- The fact that many "first-tier" contract research firms such as Cato Research, Charles River Laboratories, Covance, PharmaNet Development Group and Quintiles have operating facilities in Québec clearly demonstrates that its business environment is very attractive.

A Cluster of Expertise

- Nearly half of the Canadian life sciences industries are concentrated in the Montréal region, which also accounts for most of the basic and clinical research activities conducted in Canada - that is more than 400 companies.
- Close to 150 products are currently in development in Québec.
- Montréal ranks 8th in North America for pharmaceutical jobs, with a pool of 32,000 stable, experienced and skilled workers in the biopharmaceutical industry and over 13,000 researchers in the public biomedical research centres.
- World-class infrastructures are in place to manufacture bioproducts and to conduct clinical trials.

Advantageous Financial and Fiscal Support Measures

- The costs of doing research or manufacturing in Québec are lower than in Europe and the United States.
- Tax credits for R&D expenses among the most generous in the world. Companies can earn tax breaks for up to 40% of the salaries of R&D workers and up to 100% of expenses.
- Foreign scientists and experts can take advantage of a Québec personal income tax break for up to five consecutive years.
- Québec has one of the lowest corporate income tax rates in North America: 30.9% to be continuously reduced to 26.9% in 2012.

"Québec encourages research and development by offering support and attractive fiscal tax incentives, which is an outstanding advantage for life science companies. As for me, I decided to set up my company in Québec when I realized that Québec's fiscal tax incentives and extensive life sciences infrastructure allowed me to do twice as much research per investment dollar than was possible in Massachusetts." — Jan-Eric Ahlfors, President and CSO, New World Laboratories, 2009.

Join the leaders!

Last update: August 2009

Pharmaceutical Industry

Some 20 international pharmaceutical companies have their Canadian head offices in Québec. Key industry players include:

- Abbott Laboratories
- AstraZeneca
- Boehringer Ingelheim
- Bristol-Myers Squibb
- GSK Biologicals
- Johnson & Johnson
- Merck Frosst
- Novartis
- Pfizer
- Sanofi aventis
- Servier
- Wyeth

Montréal, Heart of Canadian fundamental Research

Québec is the heart of Canadian fundamental research, with five international pharmaceutical firms carrying extensive fundamental research projects in their private R&D centres.

Close to 3,000 scientists are directly involved in the discovery and development of therapeutic molecules in the pharmaceutical or in the biotechnology sector as well as in medicinal chemistry.

Many medications have been discovered and developed here:

- 3TC, one of the most prescribed drug to treat AIDS came from Biochem's laboratories.
- Merck's Montréal research lab gave birth to two of the five company's blockbusters.
- Two of Wyeth' significant discoveries were made in Canada: the world's leading hormone replacement therapy drug and a novel immunosuppressant used to prevent organ rejection following transplantation.

Company	Research Sectors
AstraZeneca R&D Montréal	Neurology (pain)
Boehringer Ingelheim (Canada)	Immunology (antivirals)
GSK Biologicals	Vaccines
Merck Frosst Canada	Diabetes, obesity, respiratory and inflammatory conditions
Wyeth Canada	Chemical development; international clinic supply unit

Pharmaceutical Industry Manufacturing

Some 4,600 people are employed in pharmaceutical manufacturing.

There are about 30 manufacturers of patented, generic and custom-manufactured products in Québec, namely:

Manufacturers of patented products

- Axcan Canada
- Church & Dwight Canada
- Galderma
- Sanofi aventis
- Schering
- Valeant Canada
- Wyeth

Manufacturers of generic products and contract (custom) manufacturing companies

- Confab Laboratories
- Draxis Pharma
- E-Z-EM Canada
- Pharmascience
- Pharmedics
- Ratiopharm
- Sandoz

Vaccine Manufacturing**GSK Biologicals**

GSK Biologicals's commercial products include influenza and meningitis C vaccines. The firm is one of only two manufacturers of the influenza vaccine in North America, and the only one to produce its vaccines in Canada.

GSK has recently completed the expansion phase of its vaccine production facility in the city of Québec - an investment of CDN\$199 million. The firm's annual production capacity for the flu vaccine currently stands at 75 million doses.

Also recently completed is a CDN\$50 million expansion of the company's Laval site, which houses its vaccine R&D centre and has become the North American headquarters for vaccine R&D.

GSK, Canada's largest pharmaceutical employer, has 1,250 employees in Québec.

Bio-manufacturing of Therapeutic Proteins

Québec has excellent expertise in bio-manufacturing of therapeutic proteins.

Therapeutic protein manufacturers:

- Medicago
- ProteoCell Biotechnologies

Biotechnology Industry

On the Cutting Edge of Biotechnologies

Health is the core sector of biotechnology in Québec, with 67 firms employing 2,300 people. About 40 of them focus their activities on therapeutic research and a number of them have products reaching clinical development phases.

Montréal, a Growing Hub

Montréal is the hub for genomics in Canada. The list of world-class research centres based in Montréal includes:

- The **McGill University and Genome Québec Innovation Centre** project, composed of five inter-related technological platforms offering a wide range of services in genotyping, DNA microchips, pharmacogenomics, and sequencing;
- The **Biotechnology Research Institute**, Canada's largest biotechnology R&D facility, which is a member of the National Research Council Canada and employs 800 people;
- The **Centre Robert-Cedergren at Université de Montréal** is a catalyst for advancing research in the fields of bioinformatics and genomics. and
- The **Québec Proteomics Centre**, a centre for excellence in mass spectroscopy proteomics, also home to the Canada Research Chair in proteomics.

There is abundant office and laboratory space available in Montréal for biotechnology companies.

- Biotech-Angus
- Biotechnology Development Centres (CDB): Laval, Lévis, Sherbrooke and Saint-Hyacinthe (eligible for special tax credits)
- Biotechnology Research Institute (BRI)
- City of Biotechnology and Human Health of Metropolitan Montréal
- Institute of Research in Immunology and Cancer (IRIC), Université de Montréal
- McGill University and Genome Québec Innovation Centre— Incubator
- Pavillon J.-A. Bombardier— Université de Montréal, École Polytechnique de Montréal
- Québec Biotechnology Innovation Centre (QBIC)— Incubator
- Québec Metro High Tech Park
- Science Complex at the Université du Québec à Montréal (UQAM)
- Technoparc Saint-Laurent

Contract Research Industry

Reasons Behind Québec's Success

Since contract research organizations (CROs) can set up anywhere in the world, the largest companies set up operations where it is most profitable and where they can get the best return. In these regards, Montréal ranks among the premier choices in the world.

The cost advantage, easy access to patient populations, a high level of medical expertise and a willingness among patients to take part in studies make Québec a goldmine on the global clinical research map.

In fact, Québec is home to more than 30 experienced contract research companies, employing close to 5,000 people, that offer a complete range of contract research services ranging from pre-clinical to postmarketing surveillance.

Contract research in Québec employs about 5,000 people in 30 companies, offering a wide range of services from preclinical research to drug monitoring. The major international-calibre companies are:

- Anapharm (PharmaNet Development Group)
- Cato Research
- Charles River Laboratories
- Covance
- Icon
- Laboratoires ITR
- MDS Pharma Services
- Quintiles

Key Advantages of Québec's Clinical Research

- Over 20 university hospitals in five major centres;
- 14 research networks comprising experts in different areas, allowing quick access to specialists in Québec;
- Ease of recruitment of patients for clinical trials;
- Medical specialists with international extensive experience requirements;
- A pool of potential patients of varied origins: European, Asian, Latin and South American;
- Clinical standards that are consistent across Canada;
- Standards for clinical trials and file preparation for regulatory proposals in keeping with international standards (FDA and EMEA);
- Canadian standards facilitating the harmonizing of files for international use.

Industry-leading Companies

Pharmaceuticals - R&D

AstraZeneca R&D Montréal

- Research center with a long history of cost effective candidate drug delivery.
- It employs 130 researchers active in the development of medications to relieve chronic and acute pain.
- AstraZeneca invests more than CDN\$100 million in R&D each year in Canada.

Boehringer Ingelheim (Canada)

- The firm employs 170 researchers working to develop antiviral agents (HIV, AIDS, Hepatitis C).

GSK Biologicals

- GSK Biologicals's commercial products include influenza and meningitis C vaccines. The firm is one of only two manufacturers of the influenza vaccine in North America, and the only one to produce its vaccines in Canada.
- GSK Biologicals has just completed the initial expansion phase of its vaccine production facility in the city of Québec - an investment of CDN\$199 million. The firm's annual production capacity for the flu vaccine currently stands at 75 million doses.
- The firm also recently completed is a CDN\$50 million expansion of the company's Laval site, which houses its vaccine R&D centre and has become the North American headquarters for vaccine R&D.
- GSK Biologicals, Canada's largest pharmaceutical employer, has 1,250 employees in Québec.

Merck Frosst Canada Centre for Therapeutic Research

- In this centre, some 300 researchers focus on treatments for diabetes, obesity, respiratory and inflammatory conditions.
- It is on the cutting edge of gene-expression technology, proteomics and bioinformatics.
- It is also well known for its very low employee turnover rate compared with Merck's other research centres.
- Each year, Merck Frosst earmarks CDN\$115 million for research in Canada.

Pharmaceuticals - Manufacturing

GSK Biologicals

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Medicago

- The company develops flu vaccines based on the natural properties of alfalfa and advanced genetic engineering techniques.

Wyeth Canada

- Wyeth is the largest original pharmaceutical products manufacturer in Canada.

Industry-leading Companies Biotechnology Health

Aeterna Zentaris

This biopharmaceutical company is specialized in drug discovery and product development in oncology and endocrine therapy. Its subsidiary, Atrium Innovations, specializes in the development, manufacturing and commercialization of nutritional supplements and health products in more than 35 countries. Atrium has five production units and more than 575 employees.

Aegera Therapeutics

This private company focuses on research into controlling apoptosis in order to kill cancer cells and rescue neurons from cell death. Its leading oncology program is an antisense treatment.

BD Diagnostic GeneOhm

BD Diagnostic GeneOhm is a molecular diagnostic company that ranks among the top developers of fast tests for detecting and identifying a variety of infectious agents and genetic variations.

An affiliate of Becton Dickinson, recently invested \$40M to build a manufacturing facility to produce molecular diagnostic test kits for the detection and control of bacterial infections and provide. Construction of the new centre will generate more than 100 new jobs.

Bellus Santé

With promising drug candidates currently in clinical trials for AA amyloidosis, Alzheimer's disease, and hemorrhagic stroke due to cerebral amyloid angiopathy, and with expanding drug development programs for other research projects, Bellus is a company coming of age.

Caprion Protéomique

Caprion's exclusive proteomic technologies contribute to the discovery of new targets to develop treatments and identify new protein biomarkers that can significantly reduce the risk and improve clinical development activities and decision making during the pharmaceutical research process.

ConjuChem

ConjuChem has pioneered a biotechnology that can extend the half-life of a peptide and also reduce a drug's toxicity profile by bioconjugation to albumin. With a priority focus on diabetes, the company is also developing drugs to treat an array of other pathologies such as congestive heart failure and HIV.

DiagnoCure

DiagnoCure specializes in the development, production and commercialization of diagnostic tests for the early detection of cancer. It has also developed an automated microscopy platform that detects, analyses, compiles and archives data and images.

Labopharm

Labopharm specializes in the development of drugs using controlled-release technologies. It reformulates existing drugs in collaboration with large international pharmaceutical companies.

MethylGene

MethylGene is focused on the discovery, development and commercialization of new therapeutic products for the treatment of cancer and infectious diseases, among others. The company specializes in medicinal, combinational and analytical chemistry and is dedicated to the design, synthesis and optimization of product candidates.

ProMetic Life Sciences

ProMetic has R&D and manufacturing facilities in Canada and the United Kingdom and business development activities in many other countries. The company specializes in two areas: drug development for the treatment of cancer and inflammatory/autoimmune diseases and enabling technologies, a key component in manufacturing biopharmaceutical products.

Thallion Pharmaceuticals

Thallion Pharmaceuticals develops new treatments for infectious diseases and oncology. Three products are currently in clinical development phases, offering numerous possibilities for various markets as orphan drugs for indications such as glioma and renal cells carcinoma or aiming at more important markets such as melanoma or pancreatic cancer.

Theratechnologies

Theratechnologies develops therapeutic peptides to treat endocrine and metabolic disorders, such as HIV-related lipodystrophy, cachexia associated with chronic disease, and type II diabetes.

Industry-leading Companies Contract Research

Québec is home to major subsidiaries of industry leaders such as Cato, Covance, MDS Pharma and Quintiles and has also favoured the emergence of local firms that distinguished themselves on the international scene or became major subsidiaries. Here are some examples of Québec successes:

Algorithme Pharma

This company, which employs some 400 people, has enjoyed a remarkable growth rate of 300% over the past five years, measured in terms of employees, revenue and capital investments. Algorithme specializes in clinical studies using healthy volunteers; its facilities, equipped for Phase I trials and bioequivalence, include nearly 300 beds.

Anapharm

As a subsidiary of PharmaNet Development Group, Anapharm is part of North America's biggest independent contract research organization specializing in phase I and phase II trials. So far, the Company has tested more than 300 products and monitored 100 clinical trials per year for various companies, 50% of them being American, 20% Canadian et 20% European . The Company employs a team of more than 700 research specialists. Anapharm is constantly investing, to expand its bioanalytical laboratory and to add beds for bioequivalence and phase 1 studies.

Laboratoires Charles River

Laboratoires Charles River is one of the world's largest preclinical contract research organizations. The Company currently employs 1,750 employees in Montréal and Sherbrooke. Three expansions are planned for Sherbrooke's site. Upon completion, the site will reach 300,000 sq.ft. and employ more than 1,000 people.

Labour

An Abundant and Qualified Labour Force

Montréal ranks sixth in North America for per-capita job concentration in the pharmaceutical sector and eight for total job(E&B Data and Montréal International, 2004).

Québec derives its strength as a leader from its outstanding labour force:

- 32,000 employees in health industries;
- Over 13,000 researchers in the public and parapublic health industries; and
- Over 5,000 graduates per year in programs related to biopharmaceuticals, at both the college (1,200 technical program graduates) and university levels.

DEGREES AWARDED IN Québec – 2007

Program	No. Institutions	Undergraduate Degrees	Master's Degrees and PhDs
University programs			
Engineering	9	3,143	1,344
Chemistry and Chemical Engineering	8	378	242
Pharmaceuticals/Biochemistry/ Biomedical Engineering	8	637	414
Biological/Zoology	8	721	300
Microbiological ¹	5	201	96
Automation Tech	7	1,148	394

1 Microbiology: For two universities, the microbiology program is a concentration within the Biology Sciences program, thus underscoring the real number of degrees awarded in microbiology.

Source: Québec Education Department, June 2008.

A Stable Labour Force, Savings for Companies

Québec is recognized the world over for the stability of its labour force. For companies, the low staff turnover rate in Québec constitutes a considerable advantage compared to the U.S., where the labour force is highly mobile.

Labour Training

An Efficient Education System

Four out of nine Québec universities have programs dedicated to the biopharmaceutical industry, including McGill University, Université Laval, Université de Montréal and Université de Sherbrooke. Together, there are:

- Four faculties of medicine;
- Two faculties of pharmacy;
- Five university hospitals; and
- Numerous research institutes and centres.

Several colleges offer technical programs in pharmaceutical production, manufacturing, chemistry and scientific laboratories, and train over 1,200 new technicians each year.

Montréal is a strong performer among North America's large cities for the number of students per capita. Among the top 15 North American cities measured by university enrolment, Montréal ranks second after Boston, with approximately 4.2 students per 100 persons (Montréal International and Exb Data, 2006).

Research & Development

Québec's Research and Innovation Strategy

Québec's research and innovation strategy recognizes research and innovation as the foundation of the province's competitiveness and as the engines of both economic development and job creation.

For companies that want to innovate, the strategy includes a range of measures that foster innovation, encourage networking and ease access to various resources. As part of this strategy, the Québec government plans to invest \$1.2 billion over a three-year period, mainly to encourage the implementation of infrastructures.

Drug Policy

Québec also adopted a drug-medication policy in the spring of 2007, which is the first of its kind in North America. The integrated strategy is designed to ensure that economically disadvantaged people get better access to prescription medication and it encourages rational use of medication. This policy also recognizes the pharmaceutical industry's significant contribution to the economy and encourages its development.

Research & Development Centres of Excellence

Québec's public health research network includes over 13,000 researchers;

Four out of nine Québec universities are recognized for their health teaching and research programs, including McGill University, Université Laval, Université de Montréal and Université de Sherbrooke; and

More than 300 public research health groups and some 75 research centres are in active operation, among them the Montréal Heart Institute (200 researchers), Clinical Research Institute of Montréal (400 researchers) and the Montréal Neurological Institute and its affiliated hospital (over 270 researchers).

- In health, **McGill University** encompasses 25 recognized institutes and research centres, as well as five affiliated university hospitals. The McGill University Research Institute is one of the largest university health centres in North America and the largest medical research centre in Canada. McGill receives roughly \$100 million in research funding per year from external sources. More than 1,300 physicians and dentists and 1,500 researchers and graduate students work there.
- **Université de Montréal** has a network of 24 research centres, eight university chairs, and 10 affiliated hospitals. The pharmaceutical industry invests more \$25 million there each year. The Centre de recherche des hôpitaux employs 1,300 people.
- Québec has over **20 university hospitals**, including five major centres with medical teams dedicated to clinical research.
- **Fourteen research networks** funded by the Fonds de la recherche en santé du Québec (Québec's public health research fund, or FRSQ) enable Québec researchers to cross interdisciplinary, inter-university or inter-institutional barriers to collaborate on specific research projects. These networks provide quick access to the best researchers in Québec, as well as a large pool of test populations for clinical trials.

Networks of Centres of Excellence

Six networks of health centres of excellence in Canada constitute a unique format of partnership between universities, industry, government and non-profit organizations with the goal of combining Canadian research and entrepreneurial talent. These networks provide privileged access to skills, doctors and patients.

Several of these networks are located in Québec, including:

- Advanced Foods and Materials Network (AFMNet)
- Allergy, Genes and Environment Network (AllerGen)
- Canadian Arthritis Network (CAN)
- Canadian Stroke Network (CSN)
- PrioNet Canada
- Stem Cell Network (SCN)

Research & Development Institutes and Research Centres

Here are a few examples of Québec know-how:

Biotechnology Research Institute (BRI)

- A component of the National Research Council, BRI is Canada's largest R&D biotechnology centre and employs over 800 people.
- The health sector investigates all aspects of drug discovery, from the identification of the molecular targets of disease to the design of lead drug compounds for the treatment of infectious diseases and cancer.
- The bioprocess sector scales up and optimizes bioprocesses (microbial fermentation, cell culture, and recombinant protein and viral vectors), as well as the production of biopharmaceuticals for preclinical trials.

Institute of Research in Immunology and Cancer (IRIC)

IRIC is the first institute in Canada and one of the first in the world to adopt the biology systems approach. IRIC provides an integrated research environment and support infrastructure that includes state-of-the-art technologies in animal models, cell and tissue analyses, protein identification-interaction-structure, bioinformatics, imaging and chemical screening.

McGill University and Genome Québec Innovation Centre

- This research centre has an international reputation in genomics and proteomics. The centre carries out large-scale projects, in particular haplotyping of the human genome (HapMap) and defining the regulatory mechanisms of gene expression.
- High-throughput genomics research is conducted based on three key elements: genotyping, sequencing and DNA microarrays.
- The proteomics platform provides high-quality protein analytical services.
- A fifth platform in pharmacogenomics is linked with the activities of the Montréal Heart Institute. Its goal is to identify opportunities where genomics and proteomic technologies can be integrated in both clinical trials and the physician's office.

McGill University Cancer Centre (MCC)

It is the largest centre of its kind in Canada. The main research goal of the MCC is to identify biochemical, cellular and molecular, animal and clinical mechanisms of various types of cancer, with emphasis on drug development.

Molecular Endocrinology and Oncology Research Centre

Located at the Centre hospitalier universitaire Laval (CHUL), the Centre employs approximately 30 researchers and their third-year students. The Centre is dedicated to the study of hormonal steroid secretion mechanisms and modes of actions from the central nervous system to targeted peripheral organs.

Montréal Heart Institute (MHI)

A world leader in heart research, the Montréal Heart Institute employs 110 researchers. The Institute promotes a multidisciplinary approach, which creates outstanding dynamics between experts in different fields, including cardiology, anesthesia, surgery, radiology and nuclear imaging, psychiatry, psychology, biology, pharmacology, medical technology and nursing.

Montréal Neurological Institute (MNI)

The Montréal Neurological Institute (MNI) is a research and teaching institute affiliated with McGill University. Its 350 researchers are distributed among 12 research units covering all aspects of neurology including, among others:

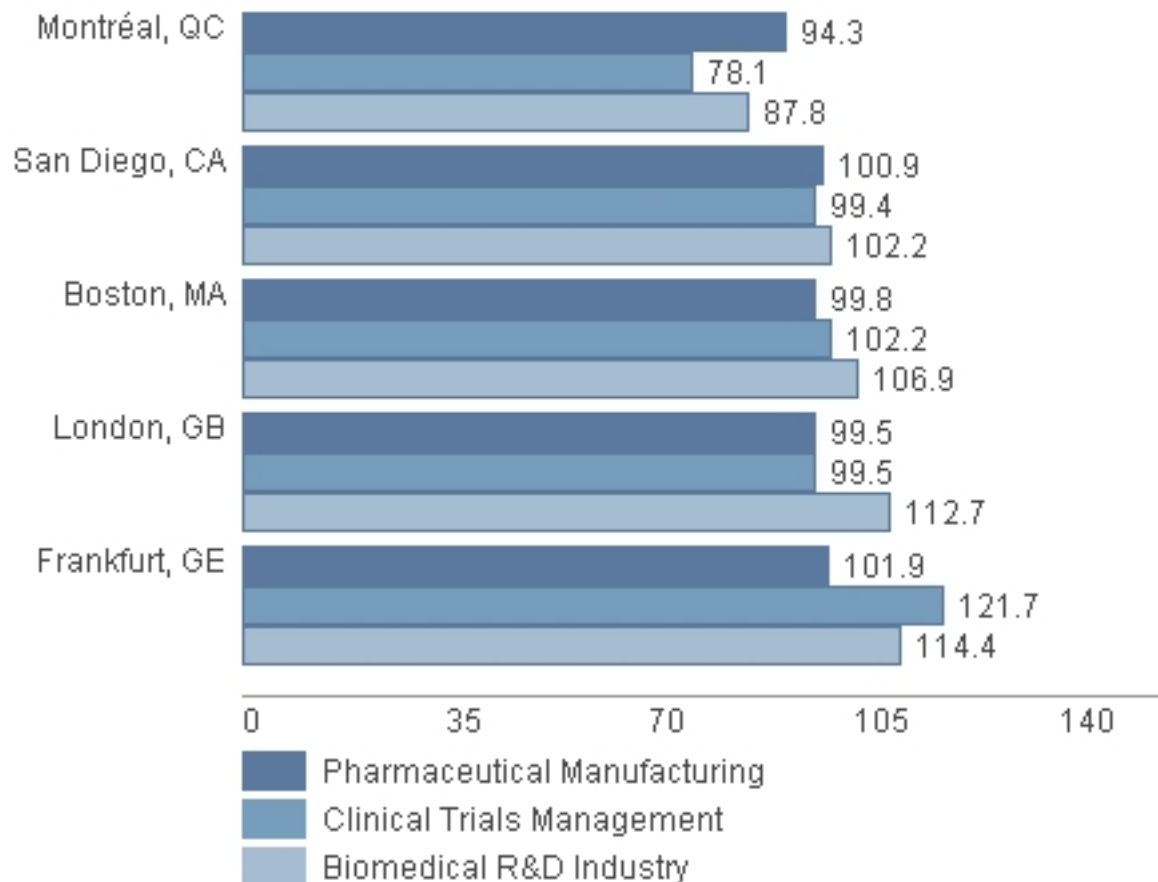
- The **McConnell Brain Imaging Centre (BIC)**, home to one of the top three brain imaging research groups in the world, particularly renowned for 3D structural and functional imaging of the brain.
- The **Centre for Neuronal Survival** that investigates mechanisms of nerve cell death occurring as a result of stroke, epilepsy, cancer and neurodegenerative diseases.
- Furthermore, the **Montréal Neurological Hospital** that provides MNI with an ideal setting to conduct research and experiments with patients. The Hospital is also well known for its ambulatory centre to facilitate outpatient clinical research.

Operating Costs

Montréal is the most advantageous setting in terms of operating costs compared to all major international cities involved in biomedical research, biopharmaceutical manufacturing and clinical trial management (KPMG, 2010).

Comparative Recurrent Costs Index by Location

Index: United States = 100



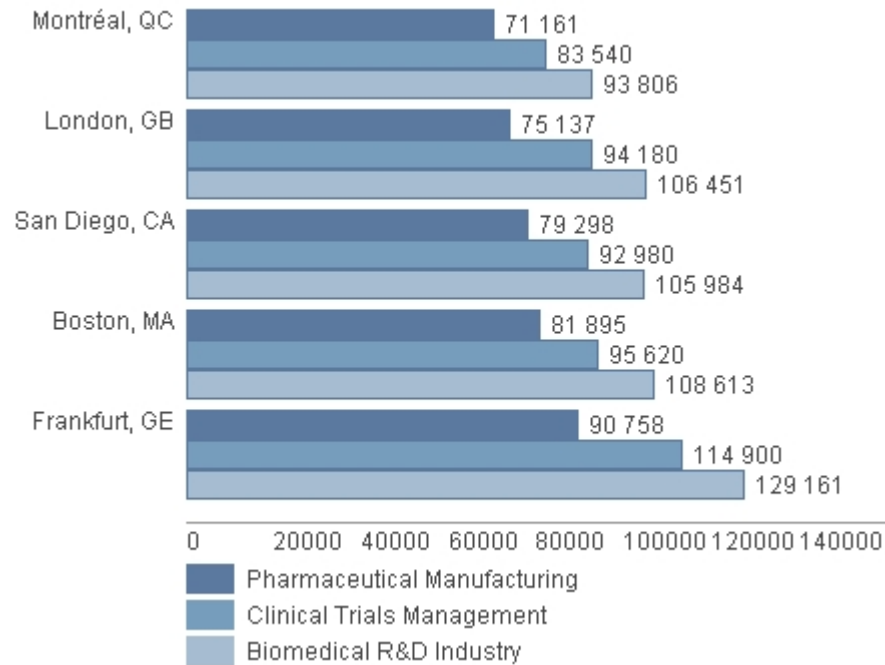
Note: Costs affected by location include: salaries and benefits, transport, electricity, telecommunications, interest charges, depreciation and taxes.

Source: KPMG's Guide to International Business Location—2010 Edition.

Operating Costs Labour

A Competitively Priced Labour Force

Comparison of Total Remuneration – Based on Average Salary in US\$



Source: KPMG's Guide to International Business Location—2010 Edition.

Financial Solutions and Taxation

Financial Solutions

Investissement Québec can assist you with your expansion plans, providing consulting services as well as financing assistance. In addition to being an economic development agency, we are also a financial institution. We have several financial solutions for you.

Biotechnology Development Centres (CDBs)

Companies conducting operations involving biotechnology innovation and based in a designated CDB (Laval, Sherbrooke, Saint-Hyacinthe or Lévis) may be eligible for a refundable tax credit on:

- 30% of wages paid to an eligible employee;
- 30% of the cost of acquiring or renting eligible goods (specialized material);
- 30% of eligible rental fees for specialized facilities.

SMB Financial

We can provide a loan guarantee, i.e. a guarantee applicable to a loan, line of credit or letter of credit granted by a financial institution. We also offer loans. One component of our SMB Financial program is likely to interest you: Interim financing of tax credits.

Renfort

We can offer you a loan guarantee or a loan ranging from \$250,000 to \$15 million to improve your working capital or finance the purchase of equipment.

Strategic Support for Investment Program

If your company is planning an investment or seeking to develop a new product, we can provide various types of loans, a loan guarantee or a non-repayable contribution.

The Strategic Support for Investment Program (PASI) favours investments that target diversification or consolidation of a particular sector, and product development that is distinctive because of its innovative nature and commercial potential.

Feasibility Study of an Investment Project

Financial contribution to companies that want to carry out an investment project in Québec. The program is administered by the Québec government's Ministry for Economic Development, Innovation and Exports and can cover up to 40% of the fees of experts to carry out feasibility studies to a maximum grant of CDN\$100,000. Eligible activity sectors are manufacturing, recycling, business services, industrial research and development, and scientific services.

Emploi-Québec Employment Assistance Program

Contribution to the financing of economic projects meeting specific criteria. Financial assistance provided by Emploi-Québec, jointly with administrations in Québec's regions, can go to sharing of the cost of training and recruitment of the labour necessary for project start-ups.

Investment Tax Credit

A business that acquires new manufacturing and processing equipment before January 1, 2016 can receive this tax credit, which can vary between 5% and 40% depending on the region.

Financial Solutions and Taxation Measures to Stimulate R&D

The Québec and Canadian governments support R&D by granting individuals and businesses tax incentives designed to foster scientific or technological development in Québec.

Net cost of CDN\$100,000 R&D expenditures incurred in Québec by a large corporation or by a foreign-controlled corporation.

A corporation incurs expenditures of \$100,000 on R&D; i.e., \$90,000 for the salary of a researcher, \$10,000 for materials.

Expenses	\$
A - Salaries	90,000
B - Subcontractors	—
Materials	10,000
Equipment	—
C - Total R&D expenditures	100,000
Québec tax credit	
((A + B/2) X 17,5%)	15,750
Federal tax credit	
Total expenditures (C)	100,000
Overhead (A X 65% ¹)	58,500
Less Québec credit	<u>(15,750)</u>
D - Expenditures eligible for credit	142,750
E - (D X 20%)	28,550
F - Total tax credits	44,300
Net cost for the corporation (C - F)	55,700

1 Proxy method used to calculate overhead. Under this method, overhead actually incurred is replaced by 65% of R&D salaries.

Source: Investissement Québec and Raymond Chabot Grant Thornton, April 2009.

Financial Solutions and Taxation

Corporate Tax Rates

Among the Lowest Tax Rates in North America

Quebec's corporate tax rates are among the lowest in Canada, and even lower than in most American states. As such, Quebec offers an advantageous tax system that favours investment and job creation.

Corporate income tax in Quebec is 29.9%. The Federal and Quebec governments tax reduction initiative will bring corporate income tax rate to 26.9% in 2012.

Comparison of Income Tax Rates, 2010 Québec, Ontario and American States Manufacturing Companies

	Federal ¹	Province/ State	Effective Tax Rate (%)		Outside of the reference city
			City/ ² certain states	Total	
Québec	18.00	11.90	--	29.90	--
California *	29.03	8.84	--	37.87	--
North Carolina *	29.65	6.90	--	36.55	--
Illinois	29.52	6.64	--	36.17	--
Massachusetts *	28.79	8.75 ³	--	37.54	--

[1] In Canada, the federal tax rate is 11% for private Canadian-controlled companies with taxable income of less than CAN\$500,000. In certain provinces, reduced rates are also applicable to small businesses. The 2010 general rate of 18% will pass to 16.5% in 2011 and 15% as of 2012.

In the United States, the general tax rate of 35% varies depending on the corporation's taxable income. For U.S. manufacturing companies, a deduction of 9% of the profit related to production activities or taxable income is available for 2010 and thereafter, which means an actual rate reduction of 3.15%. This deduction was 3% for 2005, 2006 and 6% for 2007, 2008 and 2009.

* Certain States, such as Arkansas, California, District of Columbia, Georgia, Hawaii, Indiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Mississippi, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Oregon, South Carolina, Connecticut, Tennessee, Texas and West Virginia, Wisconsin do not apply the federal deduction for manufacturing production.

City and state taxes are generally deductible from U.S. federal tax. The actual U.S. federal tax rate takes this deduction into account.

[2] Most of the rates provided for cities are from 2009, since some rates for 2010 were not available when this document was published.

[3] For tax years beginning after January 1, 2010, the rate on corporate taxable income is 8.75% and will be reduced to 8.25% and 8% for the tax years beginning on or after January 2010 and 2012 respectively. Moreover, a tax on corporate capital calculated at the rate of 0.26% must be added to the 8.75% tax.

Source: Investissement Québec and Raymond Chabot Grant Thornton, 2010.

Financial Solutions and Taxation

Tax Holiday for Foreign Researchers

Foreign researchers employed by a company in Canada that does R&D in Québec benefit from a provincial tax holiday on their salary for five consecutive years. It is a declining tax holiday computed as follows: 100% of employment income the first two years, 75% the third year, 50% the fourth year and 25% the fifth year. This measure also applies to other foreign experts; e.g., managers working in innovative fields.

Venture Capital

In response to the difficulties encountered by the Canadian venture capital industry, the Province of Québec, in its March 2009 budget, announced the creation of two major new venture capital funds:

Teralys Capital Fund

The \$825M fund dedicated to emerging technologies companies is being set up by Investissement Québec, MDEIE, CDP Capital and Québec's Solidarity Fund. This Fund of funds is dedicated to technology companies involved primarily in the health sciences, information technologies and clean technologies.

Seeds Fund

A 125 M\$ fund for the creation of startup technology companies with high added value will enable a number of technology companies to mature. Investissement Québec will manage the fund.

Major firms specialized in financing biopharmaceutical industries:

- Business Development Bank of Canada
- CDP Capital
- Fondation
- Fonds de solidarité des travailleurs du Québec (FTQ)
- GeneChem
- iNovia Capital
- Investissement Québec
- Pappas Ventures
- ProQuest Investments
- Société générale de financement du Québec (SGF)
- Vantage Point Venture Partners

Choose Investissement Québec

Are you looking for the right place to grow your life sciences company?

Call Investissement Québec.

We combine the advantages of a financial institution and an economic development agency, so we have what it takes to meet your needs.

Our team of experts can help you :

- Gain insight into the challenges and opportunities offered by Québec's information technologies and software industry;
- Build productive, strategic alliances with local and international partners;
- Find a location that suits your needs;
- Benefit from attractive tax incentives;
- Find the right financing solutions including loans, loan guarantees and working capital.