

Equity Capital Program

SUMMARY

The Equity Capital Program is the operating name of the investment incentive program set out in the Small Business Venture Capital Act. This program is designed to encourage arm's length investors to make equity investments in businesses which enhance export, replace imports or otherwise diversify the British Columbia economy. The BC government provides investors with an incentive equal to 30 per cent of their investment in a special holding company called a Venture Capital Corporation ("VCC") which subsequently invests in one or more eligible businesses. Tax credits are realized through the issuance of tax credit certificates.

ELIGIBILITY CRITERIA

- At least 50 per cent of the assets and expenses of the business must be used for an export enhancement, import replacement or economic diversification activity. However, not more than 20 per cent of the business' assets can be located outside the province.
- The business, together with its affiliates, must pay at least 75 per cent of wages and salaries to employees who report to work at operations located in BC.
- The business must have not more than 75 full-time employees at the time of the investment.
- Form of investment - the investment in a small business must be in the form of common or approved preferred "equity shares".
- Investors must be at arm's length - the investment in a small business must be made by unrelated parties. Investors cannot use their investment to take over, control or obtain other benefits from the business.
- VCC's investment must be at risk for at least five years - investment structures which have the effect of reducing the amount of capital or the time which it is at risk, are not acceptable.
- Maximum investment - the aggregate investment under this program in any one small business, together with its affiliates, cannot exceed \$3 million.
- New equity to finance business expansions and start-ups - the investment must result in expansion or new economic activity with a corresponding net economic benefit to the province.
- The program operates under a limited tax credit budget, which may restrict the number of VCCs that can be registered each year.

CONTACT

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<http://www.equitycapital.gov.bc.ca>

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http://www.cse.gov.bc.ca/ProgramsAndServices/BusinessServices/Investment_Capital/Venture_Capital_Programs/vc_equity_capital.htm