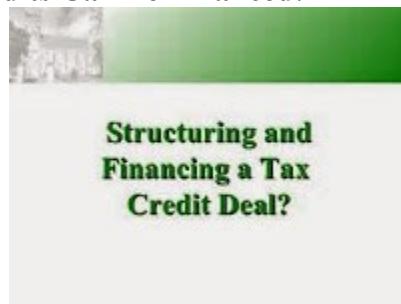


Saturday, November 9, 2013

**Financing Two Of Canada's Tax Credit Programs: We've Got It Right In
Film and SRED**



Hard To Believe ? Tax Credits Can Be Financed!



OVERVIEW – Information on financing tax credit programs in Canada. Here's Why You Need To Consider SRED and Film Financing for cash flow and working capital !



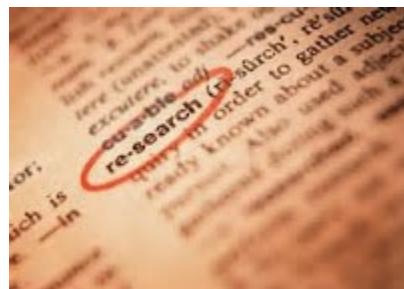
Financing tax credit programs in Canada. Whether its SR&ED R&D credits or the much more sexy ' film, TV, transmedia' credits it's always a surprise to us that the actual users of these two Canadian programs don't always know, or consider that claims under these two programs can be financed. Let's dig in.

Any country, Canada included typically has some sort of generous and often well used non repayable credit (which can be monetized/financed) All sorts of Canadian government programs, grants etc are available - two of the most popular (and financed by the way) are ' SR&ED" and ' FILM'.



Numerous aspects need to be considered to successfully complete a claim, and finance it under each program. Let's discuss a couple of aspects and also identify some key similarities in the way in which these programs can be financed for cash flow and working capital.

SRED:



Canada's Scientific Research and Experimental Development Program (**S R E D**) provides **Billions of dollars** of funding for research in Canadian industry. Despite a handful of what we can call key changes to the program claiming ' SRED', (including a

recent nationwide focus to validate the value of the program) thousands of Canadian businesses, including your competitors, file claims. When it comes to R&D claims its all about the technical aspects of your claim.

That's where the role of the preparer, known as the '**SR&ED Consultant**' plays a key role. They prepare claims for you in one of two manners - they will prepare the claim for free at their cost, and charge what's known as a contingency fee if the claim is successful. That has tremendous appeal to business owners, as the fees of 15-30% of the claim (that's a typical range) are only paid if the claim is successful and your funds are received.

Note – You can of course pay a straight fee to prepare the claim, which will almost always be less than the contingency fee. Considerations are : CASH OUTFLOW / RISK .

Financiers of your claim will in almost all cases take a look at who is preparing your claim. If it is done by a legitimate recognized consultant with a track record naturally financing that claim becomes much more easier , because in **SR&ED tax credit finance** the main collateral for the loan is of course ' the claim '!

There's a lot of discussion in the industry these days, including the government around SR&ED consultants disclosing their fees - one concern being that high fees destroy the true spirit and effectiveness of the program.

We'll avoid those arguments and simply say that financing a legitimate and successful S R E D claim provides your company with **cash flow** and replenishment of research activities.

FILM/TV/ANIMATION:

The history of **tax credit financing in the Entertainment industry** has revolved around different cycles where the players and the programs change. Canada is now widely known for having a robust and generous tax credit program - with credits that are financeable in the same general manner as our aforementioned SRED claims.

So while the producer owner of Canadian content runs around town chasing private equity, hedge funds, and other ' alternative ' methods of financing projects one thing is always for sure - The **film tax credit component** will always be there to complete the funding cycle . It's more often than not the ' sure thing' component of the total capital plan for any project in film, animation, and television.

Firms that finance the tax credits, some Canadian banks included, like the tax credit programs because they reduce the risk of projects having to become commercially successful. After the 2008 economic collapse all media financing, as in other industries, became more difficult. However financing tax credit claims continues to remain a stable component of the capital structure of any project.

So while senior debt, ' gap' financing, advertising dollars, and pre sales all are challenge producers always know that a key component of their financing, the tax credit collateral is going to be there. Our Bottom line ' It's great to have a ' hit ', it's even better to have a tax credit'!

Tax credits in these programs are a combination of federal and provincial credits which can be monetizing after (or in some cases during) your projects. It's all about Canadian content and Canadian spending. The two types of credits are the **CPTC** and the **PSTC**. A significant amount of labor and production spending can be claimed.

Similar to the role of the ' consultant ' in the SR&ED program the most effective claims in media tax credits are prepared by **Film tax credit accountants** who specialize in maximizing the value of your claim.

Financing tax credit programs in film and SRED is not complicated. A simple application process exists for each type of claim. Financing, typically by a non bank finance firm is structured in the form of bridge loans. No payments are made until the government funds are received. Advances of 70% of the value of your claim are a typical range you can expect for either genre of tax credit.

Yes, believe it,



SR&ED and film tax credits can be financed - they provide Billions of dollars of funding each year. If you want to 'get it right' in financing your claim seek out and speak to a trusted, credible and experienced Canadian business financing advisor who can assist you with the financing of your claim .

Stan Prokop - founder of 7 Park Avenue Financial

<http://www.7parkavenuefinancial.com>

Originating business financing for Canadian companies , specializing in working capital, cash flow, asset based financing . In business 10 years - has completed in excess of 80 Million \$\$ of financing for Canadian corporations . Core competancies include receivables financing, asset based lending, working capital, equipment finance, franchise

finance and tax credit financing.

Info re: Canadian business financing & contact details :

7 Park Avenue Financial = SR&ED And Film Tax Credit Financing Expertise

Have A Question /Comment On Our Blog Or Canadian Business Financing Alternatives ?

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