



TaxNewsFlash

Canada

2024 Federal Budget — Funding and Incentives Highlights

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Businesses may be eligible for several new and renewed government incentive programs that were announced as part of the 2024 federal budget. In this year's budget, the government provides many important details on new and enhanced funding for programs to support Canada's economic growth, innovation capability and productivity, including measures to facilitate growth in artificial intelligence (AI), housing and research. The budget also builds on the transition to a net-zero economy.

KPMG's Tax Incentives Practice can help you understand eligibility requirements and timelines for government funding and incentives available through these programs. In some cases, businesses may need to act quickly to access available funding due to fast-approaching deadlines.

Background

The 2024 federal budget announced several new funding and incentive programs for Canadian businesses, including updates on the much-anticipated suite of tax credits to promote Canada's clean economy. The budget proposes strategic investments in key sectors, intended to foster growth in research and innovation, clean technology adoption and workforce advancement, while encouraging economic growth and productivity.

For more details on the budget, see *TaxNewsFlash-Canada* 2024-17, "[2024 Federal Budget Highlights](#)".

Artificial intelligence

The budget builds on Canada's announcement of measures to accelerate the growth of the AI sector. Specifically, the budget includes targeted support of \$2.4 billion to the AI sector, through the new AI Compute Access Fund and Canadian AI Sovereign Compute Strategy. These initiatives are set to receive \$2 billion over five years to enhance access to computing capabilities and technical infrastructure for businesses and to develop Canadian-owned AI infrastructure.

The budget allocates \$200 million over the next five years to Canada's Regional Development Agencies to promote growth and innovation in AI, as well as to encourage the adoption of AI in sectors including agriculture, clean technology, health care, and manufacturing. The budget also provides \$100 million of funding to the National Research Council's AI Assist Program over five years, which is intended to promote the building and deployment of new AI solutions by Canadian small- and medium-sized businesses, and to help innovators scale up and implement productivity improvements. In addition, the budget offers \$50 million over four years to the Sectoral Workforce Solutions Program, which provides skills training for workers in sectors that may be impacted by AI, such as creative industries.

Research and development

This year's budget provides updates to the Scientific Research and Experimental Development (SR&ED) tax incentive program, and also earmarks \$3.5 billion in funding to introduce new strategic research infrastructure and federal research support, in an effort to promote advancements in Canadian research and science.

In particular, this proposal includes increased core and research grant funding of \$1.8 billion over five years, through:

- The Natural Sciences and Engineering Research Council (NSERC)
- The Canadian Institutes of Health Research (CIHR), and
- The Social Sciences and Humanities Research Council (SSHRC).

In the budget, the government also announces its intention to create a new capstone research funding organization to enhance the coordination of federally funded research.

Housing innovation

The budget offers details on several incentives targeted towards housing, including plans to allocate \$50 million over the next two years to enable the Next Generation Manufacturing Canada (NGen) global innovation cluster to introduce a new Homebuilding Technology and Innovation Fund. The budget also provides \$50 million over two years

through Canada's Regional Development Agencies to support innovation in housing across Canada. The budget pledges further support to the housing sector through:

- The Industrial Research Assistance Program
- The Regional Economic Growth through Innovation program, and
- The Strategic Innovation Fund.

The budget also provides \$400 million over four years to top up the Housing Accelerator Fund with the Canada Housing and Mortgage Corporation, with the goal of helping to introduce 12,000 new homes in the next three years. Additionally, the budget announces that the government will allocate \$4 billion over seven years to the Urban, Rural, and Northern Indigenous Housing Strategy to address the unique housing needs of Indigenous people residing in urban, rural and northern areas.

Investments in clean technology

This year's budget also provides further detail on the implementation of certain previously announced Clean Economy Investment Tax Credits, and introduces a new EV Supply Chain Investment Tax Credit that is intended to strengthen the EV supply chain and enhance the future of the Canada's automotive industry.

Businesses engaging in clean fuel projects will benefit from new funding for the Clean Fuels Fund, which will be allocated \$776.3 million over the next five years. The budget further announces that, Natural Resources Canada is expected to launch another call for proposals under the extended fund by the end of 2024, and that the fund will shift to a continuous intake model with streamlined processes intended to expedite delivery. The budget also pledges \$6.1 million over the next two years to the Clean Growth Hub, which provides information on federal funding and other support for clean technology projects in Canada.

Additionally, the budget announces that the government will make at least \$500 million in investments through the Canada Infrastructure Bank to support biofuels production under its green infrastructure investment stream. Further, the budget allocates \$607.9 million to Transport Canada to supplement the Incentives for Zero-Emission Vehicles Program to offer incentives to Canadians who purchase or lease zero-emission vehicles.

Economic growth

The budget earmarks an additional \$158.5 million to Canada's Regional Development Agencies for the Regional Economic Growth through Innovation program to promote job creation and economic growth. The budget also proposes \$36 million in renewed support to the Strategic Partnerships Initiatives Clean Energy Program, which is intended to encourage Indigenous participation in clean-growth opportunities.

Employment opportunities for youth and students

Employers that provide high quality on-the-job learning opportunities to youth may benefit from a budget proposal to provide \$150.7 million in 2025-2026 to the Youth Employment and Skills Strategy Program. Additionally, the budget offers \$200.5 million to the Canada Summer Jobs program to provide meaningful, well-paid summer employment opportunities to youth, including in sectors such as housing construction that face labour shortages. The budget also allocates \$207.6 million to the Student Work Placement Program to promote increased work-integrated learning opportunities for post-secondary students.

Other government credits, programs and incentives

Among other measures, the budget also proposes to provide:

- \$8.6 million in 2024-25 to the Canadian Space Agency for the Lunar Exploration Accelerator Program to support Canada's space industry and help accelerate the development of new technologies
- \$64 million to Agriculture and Agri-Food Canada to support a \$250,000 interest-free limit on Advance Payments Program loans for the 2024 program year
- \$52.5 million over five years, starting in 2024-25, along with \$54.8 million in future years, to the Department of National Defence to support the development of dual-use technologies critical to our defence via the NATO Innovation Fund
- \$3.8 billion towards the Canadian Critical Minerals Strategy to strengthen Canadian value chains for critical minerals, including the Critical Mineral Exploration Tax Credit.

We can help

Your KPMG adviser can help you assess whether your business can access these strategic funding programs and provide details on additional funding that you may be eligible to receive. For more information, contact your KPMG Tax Incentives adviser or one of the following tax professionals:

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