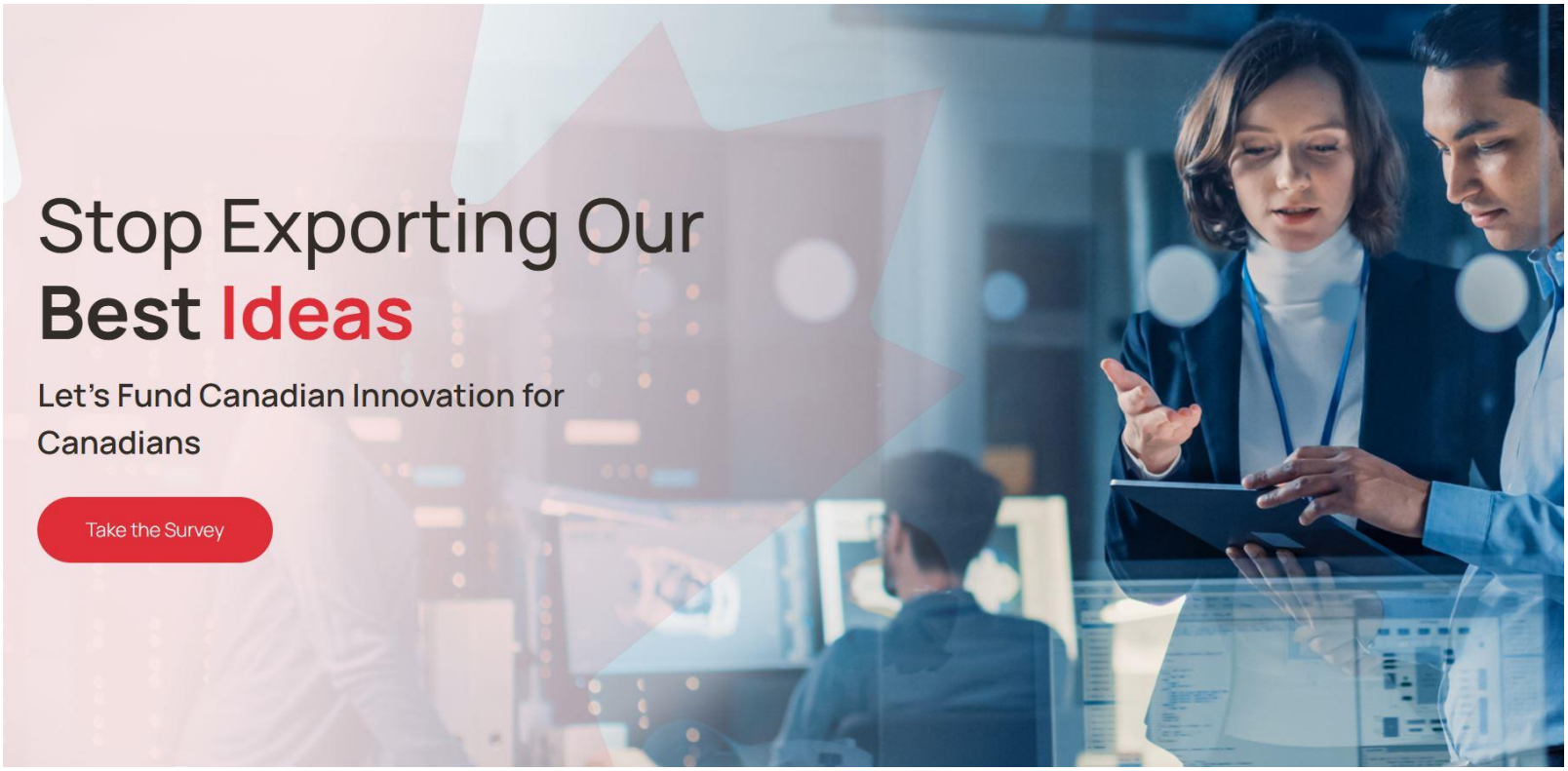

Written Submission for Pre-Budget Consultations in Advance of the Upcoming Federal Budget

Canada Flow Through Shares

August 22, 2025

Recommendation: Extend Flow-Through Shares to the Technology Sector

Introduction

Every nation faces moments that define its trajectory. For Canada, the Avro Arrow became a story of potential left on the table — *an ambition abandoned too soon*. Our engineers went south, our dreams of aerospace leadership vanished, and for decades we were left wondering what might have been.

Canada is 66 years wiser now. We know what hesitation costs. And we know that when governments set bold targets — from railways to health care to energy — Canadians rise to meet them.

The technologies of the 21st century — AI, clean energy, quantum, and digital infrastructure — will determine our prosperity and sovereignty for generations. To lead in these fields, Canada needs more than speeches and strategy papers. It needs capital — at scale, and now.

This is why extending the use of Flow-Through Shares (FTS) to the technology sector is the most immediate, practical and viable step the current federal government can take. The framework already exists in mining and energy. The legislation is on the books. The administrative machinery is tested and proven. This is a shovel-ready reform that Budget 2025 can deliver without delay.

Unlike new programs that take years to design, and billions to administer, extending FTS requires no new bureaucracy and no costly pilots. It simply unlocks private capital for Canadian startups, reduces risk for investors, and ensures the upside of Canadian innovation stays here at home.

During the 2025 federal election campaign, Prime Minister Carney repeatedly emphasized that *"it is a time for ambition, it is a time to be bold to meet this global challenge."* His message was unmistakable: Canada cannot afford timidity in the face of shifting economic realities. Bold action is not just desirable, it is essential.

The numbers are compelling and immediate: year-one estimates indicate $500M of new private investment, $1.25B in economic activity, and $375M in new tax revenue—all via a policy architecture we already run successfully in resources. This is nation-building using a made-in-Canada solution.

Who We Speak For

This submission represents the voice of founders, investors, talent leaders, and everyday Canadians who want to see Canadian ideas scaled into Canadian companies, including Sir Terry

Matthews, Alex Taspscott and Ms. Jenna Sudds M.P.. It is supported by decades of evidence from resource industries, as well as international precedents such as the United Kingdom's FTS-STYLED Enterprise Investment Scheme (EIS) and Seed Enterprise Investment Scheme (SEIS) programs which are among the most successful investment tax incentives globally providing significant tax relief to individuals investing in early-stage companies, encouraging more risk-taking in the startup ecosystem.

Economic policy is not just about numbers; it is about people, families, and shaping our national destiny. Canada's technology sector employs 1.8 million Canadians whose livelihoods, futures, and communities depend on its growth. Expanding FTS to this sector is not simply a financial tool—it is a commitment to protect Canadian jobs, keep innovation and ownership here at home, and ensure that the wealth created by our brightest minds benefits Canadian families first.

Four Policy Pillars

1. Enhancing the Government's Innovation Agenda

This Liberal government has already declared innovation to be central to its economic strategy. Yet the tools being used — SR&ED, superclusters, scattered grants — remain bureaucratic, unpredictable, and insufficient.

Extending FTS to tech directly aligns with the federal government's Innovation, Science and Economic Development (ISED) mandate. It channels private investment into R&D, commercialization, and company growth without adding new complexity or delay.

Recommendations

1. Extend Flow-Through Shares to eligible Canadian technology companies, modeled on the mining and energy framework.
2. Implement FTS for tech through the CRA's existing mechanisms in Budget 2025.
3. Establish eligibility criteria tied to innovation, job creation, and commercialization outcomes.

2. Securing Canada's Economic Sovereignty and Competitiveness

Every time a Canadian startup sells to a foreign buyer, we export jobs, intellectual property, and future industries. Our competitors — particularly the U.S. and U.K. — aggressively incentivize early-stage investment. Canada cannot afford to lag.

By extending FTS to tech, Canada can slow the outflow of talent and ideas and position itself as a global leader in AI, quantum computing, cybersecurity, and clean tech. We can learn from international precedents. In the United Kingdom, the (EIS) and (SEIS) have transformed the

funding landscape unlocking billions in new investment, creating jobs, and fueling economic growth. The two programs have raised over £30 billion, supported 53,000+ firms, created 400,000 high paying jobs, and spawned 80,000 patents. Canada can do the same, and better-our mining sector already has.

Recommendations

1. Introduce FTS for tech as a direct response to U.S. and European tax-driven advantages.
2. Benchmark against the UK's SEIS/EIS programs to ensure global competitiveness.
3. Tie FTS expansion to measurable goals: patents filed, IP retained in Canada, Canadian-controlled firms scaled.

3. Driving Jobs, Growth, and Democratized Wealth Creation

This is about more than GDP. It is about the quality of jobs and the distribution of opportunity. Innovation policy must create high-skill, high-paying roles in engineering, AI, and data science — jobs that strengthen families and communities.

And it must democratize wealth creation. Today, only institutional and high-net-worth investors can easily access the upside of Canada's innovation economy. With FTS for tech, every Canadian— from small business owners to young professionals — can invest in early-stage innovation and share in its rewards.

Recommendations

1. Enable every Canadian investor to participate in tech growth through tax-deductible early-stage investments.
2. Highlight FTS as a driver of quality job creation in innovation fields.
3. Ensure that FTS-backed companies keep jobs, ownership, and intellectual property in Canada.

4. Timing and Fiscal Responsibility

Canada's productivity has fallen in 11 of the last 14 quarters. Our GDP per capita declined last year by 1.7%- the worst in the G7. Meanwhile, our competitors are doubling down on innovation funding.

Budget 2025 is the moment for bold but responsible action. Extending FTS to technology is fiscally prudent — it requires no new spending programs. Instead, it mobilizes private capital, stimulates investment, and generates future tax revenues as successful firms grow. It is a zero-delay, shovel-ready solution at a time when Canada needs exactly that.

Recommendations

1. Implement FTS for tech immediately in Budget 2025 as a shovel-ready program.
2. Position FTS as a fiscally neutral lever that maximizes private investment with minimal public cost.
3. Use FTS expansion to signal that Canada is serious about reversing productivity decline and brain drain.

Conclusion & Call to Action

This is not about tax mechanics. It is about Canada's national destiny. In the first two quarters of 2025, Statistics Canada noted an unprecedented $80 B+ outflow of investment from Canada.

Extending Flow-Through Shares to the technology sector is the fastest, most fiscally responsible, and most impactful lever available to government today. The legislation exists. The systems are proven. The private capital is waiting.

By extending FTS to technology, Parliament can:

- Accelerate Canada's innovation agenda with immediate, shovel-ready investment.
- Strengthen sovereignty by keeping ownership, IP, and jobs here at home.
- Open wealth creation to all Canadians, giving families, communities, and entrepreneurs a direct stake in our shared future.

From Avro to AI, Canada's next Arrow is digital — and it is already on the launchpad. What remains is the courage to ignite it.

Budget 2025 is our chance to lead with confidence. Fortune favors the bold. The time to act is now. Extend FTS to the technology sector.