

Program Overview and Application Instructions

This document is used for the Saskatchewan Chemical Fertilizer Incentive (SCFI) program. The SCFI is administered by the Ministry of Trade and Export Development.

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PROGRAM OVERVIEW

The SCFI program is a new-growth tax incentive available to qualifying companies operating in the fertilizer sector. Introduced in 2020, the SCFI is open to corporations with facilities that process eligible chemical fertilizers. The program is effective November 1, 2017. To be considered for eligibility, Applications for Conditional Approval must be received before December 31, 2026.

The goal of the SCFI program is to attract companies to Saskatchewan and secure investments in large-scale chemical fertilizer production facilities. Eligible companies that successfully meet all SCFI requirements will receive a rebate of Saskatchewan corporate income tax paid. This rebate is equal to 15 per cent on eligible capital expenditures for both newly constructed or expanded chemical fertilizer production facilities in Saskatchewan. Eligible capital expenditures must exceed \$10 million. Once the company has successfully completed the qualifying process and enters production, the SCFI-eligible corporation will be entitled to:

- Choose the taxation year to begin claiming the rebate;
- Claim up to 20 per cent in year one, 30 per cent in year two, and 50 per cent in year three, carrying forward any remaining benefits for up to 10 years following the year the SCFI Certificate of Eligibility is issued; and,
- Claim other eligible tax incentives or grants the Government of Saskatchewan may offer without impacting SCFI eligibility or impairing the ability to claim the SCFI.

PROGRAM OVERVIEW

Before making a submission of any kind to the SCFI program, the applicant should thoroughly review:

- The [program webpage](#);
- [The Saskatchewan Chemical Fertilizer Incentive Act](#) and [Regulations](#); and,
- [The Income Tax Act, 2000](#), section 64.8.

All related documents and forms that are referenced throughout this document can be found on the program webpage:

- Application for Conditional Approval
- Request for Certificate of Eligibility
- SCFI Claim Form

To qualify for the SCFI program, an applicant must submit a complete application that demonstrates the company meets all of the following eligibility requirements:

1. Have at least **\$10 million in new eligible capital expenditures**:

Qualifying new capital expenditures are those that are directly related to the investment in the eligible chemical fertilizer production facility. “New capital expenditures” means expenditures made by the applicant with respect to the arm’s length acquisition of any real property or depreciable property that is used in Saskatchewan primarily for eligible chemical fertilizer production. Additional detail and examples of eligible and non-eligible capital expenditures are provided in section 3 of *The SCFI Regulations*.

2. Be a facility that undertakes “**eligible chemical fertilizer production**”, defined as:

All processing of mineral or chemical feedstock to create single or multi-nutrient synthetic fertilizer products, but does not include the manufacturing of potash fertilizer products for which potash is the primary feedstock.

3. Can demonstrate an **increase in production capacity** (for existing facilities):

The company must be able to demonstrate that the eligible capital expenditures will result in an increased production capacity. An arm’s length qualified person must complete an assessment of nameplate capacity before and after the investment occurred.

APPLICATION STEPS

Conditional Approval Review

An applicant may apply to the program for Conditional Approval at any time before December 31, 2026. Applications may be submitted prior to a decision to construct the project. Upon Conditional Approval, the applicant may then start construction of the facility knowing the project, as proposed, meets program requirements.

The Ministry of Trade and Export Development (TED) will assess the application to ensure that the proposed investment project meets all eligibility requirements, including the main three, as listed above.

If it is found that the applicant’s proposed investment project does not meet the eligibility requirements, the applicant will be advised via letter, detailing which criteria was not met.

Where an applicant’s proposed investment project does meet the criteria, they will be issued a Letter of Conditional Approval.

At the time of Conditional Approval, the applicant will be advised of the steps required to be completed in advance of submitting the *Request for Certificate of Eligibility*, including details on the Compliance Report and Efficiency/Productivity Analysis Summary discussed below. The final page of this document is an example of what this report should encompass.

Final Eligibility Review

Once the investment project and commissioning is complete, the applicant must submit a *Request for Certificate of Eligibility* form along with all required attachments.

- a. This form and attachments will be assessed to ensure that the completed project meets the conditions of approval (eligibility requirements). If ineligible, the applicant will receive a letter detailing the rationale.
- b. If eligible, the applicant will receive a *Certificate of Eligibility* along with a letter explaining next steps to claim the SCFI tax incentive.

Attachments to be submitted with the *Request for Certificate of Eligibility* include:

- Compliance Report, issued by a designated accountant;
- If applicable, an Efficiency/Productivity Analysis Summary, issued by a licensed engineer; and
- If applicable, an Appraisal, issued by a licensed real estate appraiser.

Claiming the Tax Incentive

The SCFI is a tax rebate program, allowing claims to be made against corporate income tax paid. The applicant decides when to claim their tax incentives. They may claim up to 20 per cent in year one, 30 per cent in year two and 50 per cent in year three; or they may extend their tax incentives for up to 10 years following the taxation year that the *Certificate of Eligibility* was issued.

- a. The applicant may submit their *SCFI Claim Form* to the Ministry of Finance, along with:
 1. A copy of their SCFI Certificate of Eligibility;
 2. A copy of the corporation's Canada Revenue Agency notice of assessment or notice of reassessment for that taxation year; and
 3. Any other information as requested.
- b. The Ministry of Finance will issue the appropriate tax rebate to the applicant.

DEFINITIONS

Applicant – The corporation that submits an application to the SCFI program.

Application for Conditional Approval – An applicant submits this form as the first step of the SCFI qualification process. This contains contact person information, company information, details of the planned investment project and the applicant's declaration. If eligible, an applicant will receive a Conditional Approval for their project.

Certificate of Eligibility – An eligible corporation receives this certificate once they have successfully completed the investment project and delivered on commitments set out in the letter of conditional approval. This Certificate entitles them to claim the tax incentives from the Ministry of Finance for a period of 3-10 years.

Commissioning Date – The date that the new/expanded facility is brought into working condition. This excludes the prior use of equipment for testing purposes.

Conditional Approval Letter - This letter of approval is conditional upon the applicant completing the work set out in the application and complying with all legislation and regulations associated with the program. This provides applicants a degree of certainty prior to initiating their project.

Efficiency/Productivity Analysis Summary – This report is only required where the SCFI application is being made for an expansion to an existing facility. A common report issued by a licensed engineer, which identifies the measurable increases to productive capacity. A baseline report is completed prior to commencing the investment project, which describes the current process and lists areas that could be improved on to increase efficiency. The final report identifies the efficiencies of the improved process, and measures the increase to productive capacity.

Eligible Applicant – An SCFI applicant who has been approved for an *Certificate of Eligibility*.

Eligible chemical fertilizer production - All processing of mineral or chemical feedstock to create single or multi-nutrient synthetic fertilizer products, but does not include the manufacturing of potash fertilizer products for which potash is the primary feedstock. This definition excludes facilities solely dedicated to mixing and blending of fertilizers.

Qualified Capital Expenditures – Expenditures made by the applicant with respect to the arm’s length acquisition of any real property and depreciable property that is to be used in Saskatchewan primarily for eligible chemical fertilizer production. Please refer to *The Saskatchewan Chemical Fertilizer Incentive Regulations*, section 3 for additional information.

Qualified Person - An accountant, engineer or real estate appraiser who is a member in good standing of a professional association recognized by the minister. The qualified person must be arm’s-length from the applicant.

Real Estate Appraisal – A common report issued by a member of the Accredited Appraiser Canadian Institute (AACI™), which for the purpose of this program, will assess and document the land purchased, if any, and confirm that the entire lot of land purchased – or portion thereof – that is being used for the purpose of the new or expanded chemical fertilizer production facility. This report will also verify the fair market value of the purchased land – or portion thereof.

Request for Certificate of Eligibility – An applicant submits this form to initiate Stage 2 of the application process. This contains information that will show the applicant has completed the proposed investment project. If successful, the applicant will receive a Certificate of Eligibility that allows them to claim their tax incentives.

SCFI Rejection Letter – An applicant receives this notice if it has unsuccessfully completed the *Application for Conditional Approval* form, unsuccessfully qualified for conditional approval, or unsuccessfully delivered on their conditions of approval when they submit their *Request for Certificate of Eligibility* form.

Compliance Report – A common report under Chartered Professional Accountant (CPA) assurance standards, which audits the expenses made relating to the investment project and identifies eligible and non-eligible expenditures.

Sunset Date – The program will no longer accept *Applications for Conditional Approval* after December 31, 2026. Eligible capital expenditures must occur before January 1, 2027. *Requests for Certificate of Eligibility* may be submitted anytime, as long as the applicant has a letter of conditional approval.

EFFICIENCY/PRODUCTIVITY ANALYSIS SUMMARY

Existing facilities applying for the SCFI must have a baseline and final Efficiency/Productivity Analysis Summary prepared. The baseline report must include the following components:

- Current production line
 - Note all of the processes undertaken
 - Include a schematic of the current processing line.
- Current issue(s)
 - Identify all areas where significant improvements can be achieved.
- Proposed solution(s)
 - How the issue(s) could be solved
 - Explain the process improvements that can be implemented.
- Efficiency/productivity gains
 - Substantiate productivity gains that will be achieved as a result of the proposed solutions
 - Per cent productivity increase
 - Measurement of increase of raw and finished product achieved.

Once the planned investment project is completed and the facility is ready to begin operations, the following table must be prepared, which will describe the increases to efficiency/productivity. The submitted report does not need to be in this format, but must include all of the same information.

Work Plan - Equipment - Facility Modification	Example: Grommet packaging unit
Estimated Budget - (\$\$ including installation)	\$48,000
Identify & Explain - Process Improvement - Automation/Innovation, or - New Technology	Process improvement and automation: - Will allow grommets to be packaged faster and in consistent package sizes with less wasted product.
Efficiency/Productivity Gain - (Expressed in dollars, per cent or volume) - Increase production capacity - Elimination of wasted inputs - Reduction in processing time	- Production capacity increased by 75% or 500,000 units/year. Market value of \$1,500,000. - Reduced packaging time by 35% due to automation process. - Reduction of wasted final product by 90% or 50,000 units/year. Market value of \$150,000. - Reduce overall production time by 30 minutes per batch (1 hour/day, or 17% less).

In the case of a **new facility**, and only upon the request of program officials, an applicant may be requested to provide this information, which would mostly describe the current production line and productive outputs.