UNLOCKING THE FULL POTENTIAL OF CANADIAN STARTUPS

FINDINGS AND RECOMMENDATIONS FROM ENTREPRENEURS TO ACCELERATE ADOPTION, GROWTH AND IMPACT OF TECHNOLOGY STARTUPS IN CANADA

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PREPARED BY :

QUÉBEC TECH LA PUISSANCE DE NOS STARTUPS

NorthGuide

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EXECUTIVE SUMMARY

Canadian technology startups[1] succeed internationally but struggle to access and grow in the domestic market. This represents a major missed opportunity for the country's economic growth, productivity, and technological sovereignty.

Challenge : Government programs treat innovative technology startups like traditional SMEs. Complex government procurement, rigid funding criteria, often overly cautious buyers, and the low rate of technology adoption by Canadian businesses push our most promising startups to develop elsewhere first.

Opportunity : Strategic federal action can leverage Canada's strengths—world-class research, skilled talent, abundant capital—to build the technological champions of tomorrow. The message from the entrepreneurs consulted in this exercise: policy adjustments could unlock major economic impact.

Several potential solutions have been raised, including these 7 strategic actions:

1. Adjust the federal approach to technology startups by recognizing them as a distinct category from traditional SMEs.
2. Introduce incentives for the adoption of innovative technologies developed in Canada to increase business productivity while supporting the Canadian startup ecosystem.
3. Integrate the purchase of Canadian technologies into public procurement policies and major programs.
4. Simplify funding applications using milestone-based approaches corresponding to startup cycles, including for commercialization and R&D.
5. Implement tax credits for investors to mobilize domestic and foreign capital for technological innovation.
6. Exempt capital gains when reinvested in emerging Canadian technology companies.
7. Leverage technological vectors such as AI, quantum, robotics, and other emerging technologies for the benefit of strategic sectors such as defense, energy, infrastructure, manufacturing, health, and education.

Impact :
These changes would help young Canadian technology companies grow locally before expanding globally, creating multiplier effects for employment, productivity, and exports. The entrepreneurs building the economy of tomorrow are ready to grow here—they need the government as a strategic partner to reach their full potential faster.

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[1] In this document, the term "startups" refers to emerging, high-growth technology companies, including scale-ups (post-seed companies that have demonstrated commercial traction).

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OVERVIEW

In a context of economic realignment, the rise of artificial intelligence, and increasing geopolitical competition, Canada must thoroughly review its economic model. Technology startups are an important lever to help increase productivity, develop key skills (AI, quantum, etc.), diversify exports, support strategic sectors, and create a prosperous economy. The technology entrepreneurs met during the three roundtables organized by Quebec Tech raised several concrete actions that the federal government could consider to maximize the impact of technology startups on the Canadian economy.

Methodology

In May 2025, Quebec Tech brought together more than 30 founders of Quebec technology companies through three roundtables. All lead post-seed, high-growth companies with commercial traction in Canada and internationally. Although some elements that were raised are specific to the Quebec reality, the discussions were explicitly directed towards the Canadian context, and the proposals listed in this document concern and could benefit all Canadian technology companies.

The discussions were structured around several themes, and five of them seem particularly promising in the eyes of the entrepreneurs: commercialization and adoption, government policies, taxation and financing, strategy for startups, and culture of innovation.

Key Findings

- **Startup strategy :** innovative technology startups are often treated as traditional SMEs despite their fundamentally different needs. There is no clear strategy or specific coordination between the various organizations and levels of government to address the challenges of startups.
- **Commercialization and adoption :** Canadian technology companies sell more easily internationally than at home. The lack of incentives for local purchasing and corporate investment in innovation limits their growth, not to mention the public procurement rules and calls for tenders that are often written to favor large players, often American or international.
- **Government policy and processes :** the processes are slow, complex, and poorly adapted to the agility needed to innovate (e.g., grant applications, immigration, interprovincial mobility).
- **Taxation and financing :** capital is available but rigid. Current tax incentives encourage neither local reinvestment nor the attraction of new international investors.
- **Entrepreneurial and innovation culture :** risk aversion, the caution of public buyers, and the lack of recognition of the commitment of our entrepreneurs hinder local adoption and the emergence of new champions.

Suggested actions to prioritize

Among the elements that emerged from discussions with entrepreneurs, several potential solutions were raised, including seven priorities deemed particularly promising to guide government action in the short term:

1. **Adjust the federal government's approach to technology startups, recognizing them as a distinct category from traditional small and medium-sized enterprises (SMEs).**
   Objectives: Develop programs better suited to the reality of technology startups, considering their strategic long-term role in the economy, and enabling efficient resource allocation across all phases of a startup's life cycle.

2. **Introduce incentives for adopting innovative technologies developed in Canada to increase business productivity while supporting the Canadian startup ecosystem.**
   Objectives: Promote the purchase of Canadian technologies to help startups find clients in the Canadian market and foster innovation within established businesses.

3. **Integrate the purchase of Canadian technologies into public procurement policies and major programs.**
   Objectives: Leverage government purchasing power to support the growth of Canadian technologies and boost the productivity of government activities through technological innovation.

4. **Adapt financing application criteria by using milestone-based approaches that align with startup cycles.**
   Objectives: Enable startups to quickly access funding through streamlined evaluation criteria, while limiting government risk by allocating resources based on performance criteria and startup progress against established milestones.

5. **Implement investor tax credits to mobilize domestic and foreign capital for Canadian technological innovation.**
   Objectives: Stimulate local investment in startups and attract more talent and capital towards technology entrepreneurship.

6. **Exempt capital gains when reinvested in Canadian technology companies.**
   Objectives: Attract and retain both local and international capital and expertise.

7. **Focus resources on strategic sectors—AI, quantum, cybersecurity, clean technologies, defense, and health.**
   Objectives: Maintain international competitiveness and sovereignty in sectors deemed priority and critical by the government.

1 - INTRODUCTION

A DEFINING MOMENT FOR QUEBEC AND CANADIAN TECH

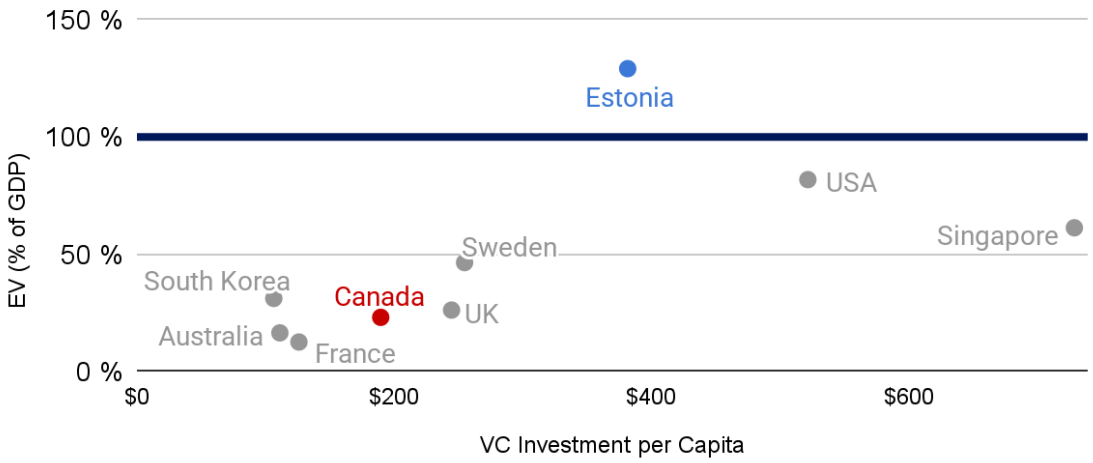
Canada faces increasing pressure to boost its productivity, accelerate the adoption of artificial intelligence, and secure its supply chains within an uncertain geopolitical landscape. In this context, the technology sector represents a strategic, yet still underutilized, lever capable of generating productivity gains, attracting talent, and strengthening economic sovereignty.

Several other countries are relying on their tech startup ecosystems to advance their economies and develop strategic capabilities. France, South Korea, Sweden, Estonia, England, and Poland are just a few compelling examples. These nations have implemented structured frameworks that address the specific needs of innovative tech startups and accelerate their growth.

Over the past two decades, Canada has also invested heavily in its innovation ecosystem, including support for venture capital funds, investments in research and development, the creation of superclusters, and the development of innovation hubs like MaRS, Communitech, and MILA. However, some countries are proving even more aggressive, and their technology sectors are growing even faster than Canada's; international competition is fierce.

Other countries are managing to do more with less – stimulating their tech startup ecosystems and transforming them into major economic drivers. For example, Estonia invests approximately $400 per capita in venture capital, almost double Canada's investment, despite a GDP per capita that's only 60% of Canada's. The total valuation of its tech startups even surpassed its entire GDP, demonstrating the economic value Estonia generates within its ecosystem, largely due to an aggressive, strategic, targeted, and organized approach.

Startup Ecosystem Value (EV) as a Percentage of GDP, based on VC Investment per Capita for Different Countries



Source : Dealroom, IMF DataMapper (2025)

For many founders, Canada's support infrastructure, designed for a bygone economic era, no longer meets current demands. These demands include the rise of generative AI, rapid industrial transitions, increasing global competition, and the implementation of clear and ambitious strategies by other countries.

At the same time, the funding and expansion models for technology companies have evolved. Some Canadian venture capital funds are increasingly adopting private equity-like approaches, investing larger amounts in a more limited number of mature companies (source: CVCA). Traditional venture capital funding models are therefore being increasingly questioned. Startups are also evolving, with the emergence of hybrid business models—combining technologies, services, and infrastructure—in sectors like energy, health, or defense.

With all these changes, current public policies and support programs are becoming too rigid, fragmented, or ill-suited to the reality of startups. The arrival of a new government, which expresses a clear desire to relaunch our economy, therefore offers an opportunity to rethink how we strategically perceive and treat technology startups.

Québec Tech regularly consults with technology entrepreneurs in our province to understand the daily challenges they face. We've leveraged the strength of our network and our close relationship with entrepreneurs to highlight certain issues that appear to align with the new federal government's priorities. This initiative aims to formulate concrete, pragmatic recommendations that are aligned with on-the-ground realities, so that the government can accelerate the adoption of local technologies, support growth funding, and recognize the strategic importance of startups as an economic engine. Québec Tech is acting as a bridge between innovators and public decision-makers in this endeavor.

2 - METHODOLOGY

LISTEN TO THOSE WHO ARE BUILDING TOMORROW'S ECONOMY

This consultation reflects the diverse experiences of entrepreneurs, all rooted in the concrete challenges related to technological commercialization in Quebec and Canada.

In May 2025, Québec Tech organized a series of three confidential roundtables, bringing together over thirty Quebec-based tech company founders and executives. All lead post-seed companies experiencing strong growth with significant commercial traction both domestically and internationally. These discussions were designed as a targeted consultation exercise to bring forth on-the-ground challenges and identify high-impact courses of action for governments.

The initiative focused on a specific segment of companies:

- Post-seed companies that have already validated their product or service in the market and demonstrated commercial traction.
- Sectoral diversity, including artificial intelligence, quantum computing, healthcare, advanced manufacturing, software platforms, energy, and cybersecurity.
- Founders with direct experience in national or international expansion, often facing challenges related to adoption, funding, or talent acquisition.

Each roundtable was structured around five major themes: strategy for startups, commercialization and adoption, government policies, taxation and financing, and innovation culture. Ample room was also given for spontaneous testimonies and concrete proposals from participants.

The objective was not to achieve consensus, but rather to identify shared observations and pragmatic levers based on the daily realities of those building Quebec's technology economy.

3 - OBSERVATIONS

SYSTEMIC HURDLES TO TECHNOLOGICAL COMPETITIVENESS

3.1 - TARGETED STRATEGIES FOR STARTUPS

Innovative tech startups in Canada are often treated like traditional small and medium-sized enterprises (SMEs), without acknowledging their unique growth trajectories or their strategic role in the country's economic expansion. For comparison, in Canada, startups fall under the small business portfolio, lacking a dedicated entity or strategy specifically for high-growth tech companies. This approach presents several systemic challenges:

- **Absence of a National Strategy or Institutional Framework:** There's no dedicated national strategy or institutional framework specifically for innovative tech startups**.**
- **Spread-out Public Programs Without Strategic Targeting:** Public programs are often diffused without strategic targeting by sector or by maturity stage.
    - For instance, the Government of Canada's website lists over 1,500 business support programs, often leading tech startups to hire consultants just to navigate these offerings and determine which ones apply to their specific needs.
- **Lack of Differentiated Evaluation or Funding Criteria:** There's no differentiation in evaluation or funding criteria, treating diverse businesses with a one-size-fits-all approach.
- **Weak Intergovernmental Coordination:** There's poor intergovernmental coordination on emerging strategic priorities, leading to fragmented efforts.

> *“ We're judged by the same criteria as a plumbing equipment distributor. It's not the same cycle, not the same needs. ”*

> *“ We need to be recognized as a distinct category of business. We're not SMEs, we're not yet large corporations, but we play a strategic role. ”*

3.2 COMMERCIALIZATION AND TECH ADOPTION

Canadian technology companies often find it easier to sell their products internationally than to public institutions or large corporations within Canada. The domestic market remains challenging to access, despite its significant potential for economic and social impact.

Here are some of the key obstacles:

- **Low Adoption Rates:** There's a low rate of adoption of local technologies within the public sector and by Canadian SMEs.
- **Lack of Incentives:** There's an absence of concrete incentives to encourage the purchase of local innovative technologies.
- **Difficulty Securing First Canadian Clients:** Many entrepreneurs report challenges in finding their initial customers within the Canadian market. This often forces them to pivot towards foreign markets as a source of early clients before they can successfully sell in Canada.
- **Limited Mechanisms for Testing and Integration:** There are few mechanisms in place to test, pilot, or integrate Canadian technological innovations. Innovative startups also have limited access to technology experimentation budgets.
- **Focus on R&D Over Commercialization:** Current public programs primarily support research and development (R&D) and incubation, rather than focusing on the commercialization or adoption of innovative technologies.
- **Talent Gap in Sales and Commercialization:** Many entrepreneurs highlight the challenge of finding skilled and experienced sales and commercialization talent within Canada. Several indicate they must look south of the border to find the necessary expertise.

> *“ 95% of our sales are outside of Canada... The local market is too complex and slow to activate. ”*

> *“ We have clients like Walmart, Charles de Gaulle Airport, and other major organizations, and almost nothing here in Canada. ”*

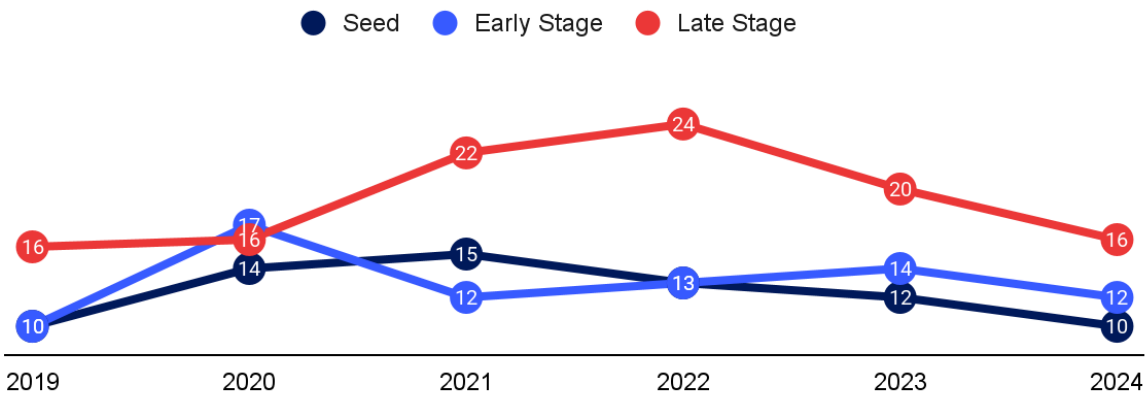
> *“ We sold to the Space Center in Houston before we could even approach the Montreal Botanical Garden. ”*

3.3 GOVERNMENT POLICIES AND PROCESSES

Founders highlight the slowness, complexity, and lack of agility in public policies. Current tools aren't designed to keep pace with the innovation speed of tech startups, which operate in a highly globalized and competitive environment.

- **Inaccessible Public Tender Processes:** The criteria, administrative burden, and requirements of public tender processes are nearly impossible for young, innovative companies to meet (e.g., certifications, client references, company longevity, insurance, etc.).
- **Heavy Administrative Burden:** Applying for programs often requires the use of consultants.
    - These consultants cost the startups between 5-15% of the credited or subsidized amounts, which significantly reduces the real impact of the programs for the companies that benefit from them.
- **Complexity Favors Large Players:** The complexity of tender processes favors large corporations and established foreign suppliers.
- **Lack of Co-development Mechanisms:** There's a shortage of mechanisms to co-develop or pilot local solutions.
- **Weak Intergovernmental Coordination:** Coordination between levels of government is poor, particularly in areas like procurement, taxation, immigration, and interprovincial standards.
- **Unpredictability of Programs:** Many programs suffer from a lack of predictability and continuity (e.g., withdrawn budgets, changing rules).
- **Unsuitable Processing Times:** Processing times for some programs can stretch up to 12 to 18 months.
    - This is particularly problematic as Canadian startups typically have only 10 to 16 months of financial runway, depending on their development stage (source: BDC).

Median Financial Runway by Stage of Development (Number of Months, Between 2019 and 2024)



Source : BDC (2025)

“ Contracts go to American firms, even though we could have built solutions here. We’re not even considered in the calls for tenders.”

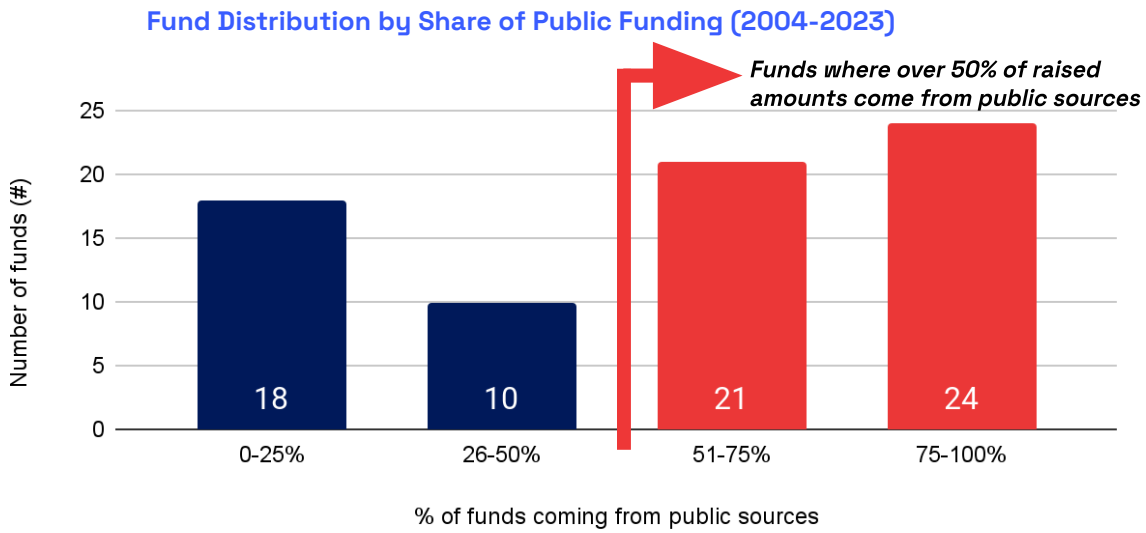
“ They’re asking us for all these certifications: ISO, SOC2... but those take two years to get. ”

“ We’d like to apply for programs, and we’d probably be eligible, but the response time is over a year... We don’t even know if we’ll still be around in a year. ”

3.4 TAXATION AND FINANCING

While capital exists in Canada, it’s proving **difficult to activate** for tech startups. The criteria for government-backed funds are often too rigid, and tax incentives are poorly calibrated to mobilize investors or retain founders. Here are some key issues:

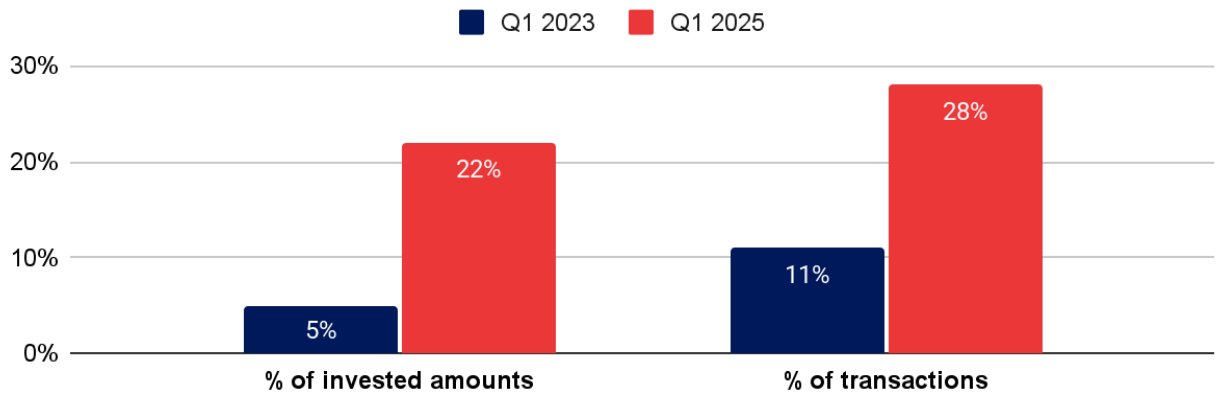
- **Increased Reliance on Foreign Capital:** Canada is increasingly dependent on foreign capital for significant transactions. In fact, only 22% of the total value of transactions in Canada were concluded solely with Canadian investors (BDC, 2025).
- **Inflexible Public Fund Mandates:** Public funds often have inflexible investment mandates, which hinders venture capital firms from investing in projects deemed higher risk.
    - In Quebec, 60% of venture capital funds have more than half of their raised capital coming from public or semi-public sources (source: Réseau Capital).



Source : Réseau Capital (2025)

- 11.5 G$ in undeployed venture capital in Canada in 2025, partly due to operational constraints (source: BDC). These funds are slowly diminishing through management fees instead of being actively deployed to help our tech startups.
- Venture capital firms are investing in more mature, and thus less risky, projects (source: CVCA).

Comparison of Investment Percentage and Transaction Volume in Advanced-Stage Startups (Series C and D) Between Q1 2023 and Q1 2025



Source : CVCA (2025)

- **Weak tax incentives** for individual investors, family offices, or founders to reinvest in Canada.
- **Current resource allocation favors R&D at the expense of business development.**

" There's capital in Canada, but it's static capital. It doesn't keep pace. "

" Even with an exit, raising capital here is difficult. Public funds are rigid; private companies copy their model. "

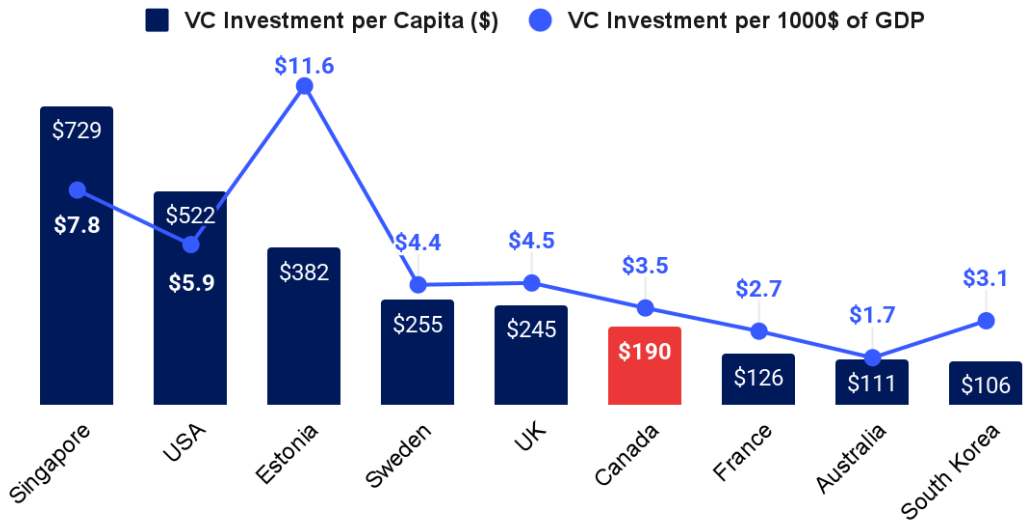
" I reinvested everything in the United States. There's no tax incentive to invest in Canada. "

3.5 - INNOVATION CULTURE

Institutional caution and a lack of public recognition hinder the local adoption of technologies and the growth of an ambitious innovation ecosystem. We need to value entrepreneurship, through success and failure, and better celebrate our innovations.

- **Cultural preference for "recognized" or already established solutions,** little appetite for risk-taking in many spheres of society.
- **In terms of venture capital investment,** Canada injects around $190 per capita or $3.5 per $1,000 of GDP into its startups through venture capital firms (source: Dealroom, World Population Review). This level is relatively low compared with some similar ecosystems, and illustrates Canadian investors' aversion to startup risk.

Venture capital investment per capita (US$)

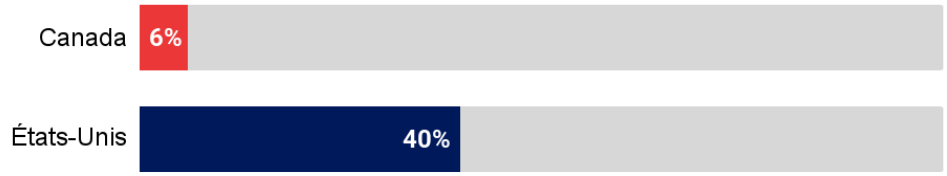


Sources : Dealroom, World Population Review

- **Entrepreneurial career paths are poorly valued** in public discourse.
- **Entrepreneurs must provide personal guarantees,** which can have long-term financial repercussions (e.g., no access to credit cards for several years).
- **The social safety net does not always extend to entrepreneurs** (e.g., entrepreneurs who own more than 25% of a company's shares are not eligible for unemployment insurance).
- **Lack of technology showcases** to demonstrate local solutions.
- **Little innovation training** for public purchasers and decision-makers.
- **Significant lag in innovation practices** such as venture-clienting or corporate investment funds (CVCs), which are very common in Europe and the United States.

- In the United States, over 40% of companies with revenues in excess of 1 billion have some form of CVC, compared with just 6% in Canada (source: Deloitte). As a result, there's a shortage of money and big local customers for our innovative companies.

Percentage of publicly traded Canadian and American companies with revenues of more than $1 billion that participate in CVCs



Source : Deloitte (2025)

" Nobody loses their job buying hundreds of millions of contracts from IBM or Microsoft, which are considered less risky. But choosing a local startup is seen as risky. "

" American products are more often recommended than Canadian ones. That's a big gap. "

4 - SUGGESTED ACTIONS

WHAT THE FEDERAL GOVERNMENT CAN DO NOW

4.1 - TARGETED STRATEGIES FOR STARTUPS

Challenges : Startups are not treated as a separate category. They are often buried in SME policies, which dilutes the impact of measures. Programs are numerous and scattered, reducing the depth of initiatives. There's a lot of R&D and seed support, but very little in the way of commercialization or local technology adoption, which reduces the value generated here in Canada.

Suggested actions :

- Adopt a specific categorization for technology startups, with institutional recognition, to highlight their distinct strategic role in Canada's economic growth, productivity and competitiveness.
- Target programs in strategic sectors, and concentrate investment and resources there (e.g., defense, energy, infrastructure, manufacturing, health and education).
- Establish an intergovernmental coordination framework for innovation policies.
- Launch large-scale projects that meet real needs and serve as industrial springboards for local technologies (e.g., defense, climate, infrastructure) - as has already been done in the past with the Canadian Space Arm, Hydro-Québec dams, CANDU nuclear reactors, etc.
- Establish scale-up platforms based on the success of Ontario's recently renewed Scale-Up Platform, funded by the Federal Economic Development Agency for Southern Ontario.
    - For example, Québec Tech is currently developing a Quebec scale-up platform with the Stade Vmax program, inspired by Ontario's success.

Relevant examples :

- Ministry of SMEs and Startups - South Korea: dedicated entity with targeted programs (KISED).
- Mission French Tech - France: coordination, outreach and support for startups, especially high-growth ones.
- Startup Estonia - Estonia: national support platform for growth companies.

- Canadian Space Arm - Canada: a project supported by the federal government through the National Research Council (NRC) and the Canadian Space Agency, which has spawned several generations of robotics and aerospace experts (e.g. CAE, MDA, RCA, etc.). More than 10,000 highly-skilled jobs have been attributed to the Space Arm's efforts, the aerospace supply chain has been strengthened (especially in Ontario, Quebec and B.C.), and several multi-purpose technologies have emerged - notably in robotics, optics and control systems that are now used in surgery, mining or agriculture.
- Hydro-Québec - Québec, Canada: the construction of major dams in Québec in the 60s and 70s led to the creation of several civil engineering companies, which now rank among the world's largest (e.g., Atkins Réalis (formerly SNC-Lavalin)). These major projects have positioned Québec as a world expert in hydroelectric dams, continue to bring billions of dollars back into the government's pocket every year, and ensure that Quebecers benefit from an energy network that's as reliable as the sun.

4.2 COMMERCIALIZATION AND TECHNOLOGY ADOPTION

Challenges : Quebec technologies are struggling to break into the domestic market. Startups often have to look abroad for credibility and traction, in the absence of local customers.

Suggested actions :

- Offer incentives to companies to encourage the purchase of innovative Canadian technologies.
    - For example, make spending on projects between established companies and innovative Canadian technology startups eligible for R&D tax credits.
    - For example, offer a temporary sales tax vacation to early adopters of solutions from Canadian technology start-ups.
- Integrate the purchase of local technologies into public procurement policies at all levels. Examples of specific measures that could be integrated:
    - Implement an agile procurement framework, based on milestone contracts (e.g. pilot project leading to a formal procurement contract, fund technology test beds with pilot departments).
    - Require a percentage of inclusion and obligation to consider innovative Canadian technologies in all projects whose financial package involves 50% or more public funds, regardless of the level of government involved.
    - Set aside at least 10% of the federal budget dedicated to major infrastructure or defense projects for the integration and development of innovative Canadian technologies (e.g., public transit, housing programs, IT infrastructure development, etc.).
    - Exempt Canadian technology startups from international bilateral agreements.

- Expand programs like CanExport to include domestic commercialization, and dedicate a significant portion of the envelope to growth-stage technology startups with high growth potential.
- Multiply the budgets and scope of the Innovation Solutions Canada program by at least 20, while ensuring that the program can support projects from the proof-of-concept phase to actual integration into the federal government supply chain.
- Fund international commercialization internships for students in partnership with startups, using Canada's diplomatic network to enhance Canadian skills at this level.
- Encourage discovery, networking and partnerships between Canadian technology start-ups and major Canadian corporations.

Relevant examples :

- Ignite Sweden - Sweden: national program to connect technology startups with potential customers in both the private and public sectors.
- Small Business Innovation Research (SBIR) - United States: progressive, milestone-based funding, with integration into public purchasing.
- Innovative Solutions Canada (ISC) - Canada: to be further structured into the procurement system.

4.3 GOVERNMENT POLICIES AND PROCESSES

Challenges : Government processes are often too inflexible, too slow and ill-suited to the rapid innovation cycle of tech startups, greatly hindering their development and growth.

Suggested actions :

- Reduce by 50-75% the number of steps, processing time and requirements needed to obtain a decision on eligibility for a support program dedicated to innovative technology startups.
    - For example, progressive financing programs that provide rapid access to capital, with amounts that increase gradually according to the achievement of objectives or criteria.
    - For example, accelerated pathways when startups are supported by recognized gas pedals.
- Set aside at least 25% of envelopes dedicated to supporting SMEs for the growth of innovative technology startups (e.g. CanExport program).
- Create accelerated pathways for the immigration of strategic talent (e.g., AI, healthcare, energy, etc.).

- Standardize standards and rules between provinces (licenses, certifications).
    - For example, in healthcare and engineering, where several professional orders govern each province, recognition of equivalence at the national level would enable a smoother exchange of talent and transfer of expertise.
- Revise performance indicators for public programs to align them with commercial results (e.g., value creation, revenue generation, number of customers, export volume).
- Revise the criteria triggering tax audits, better adapting them to the profiles and realities of Canadian technology start-ups to reduce the administrative burden (e.g., high number of R&D employees, low declared revenues in relation to total number of employees, low sales tax remittances due to exports, etc.).

Relevant examples :

- EntrePass - Singapore: 1-year accelerated work permit for serial entrepreneurs, high-caliber innovators and experienced investors.
- Small Business Innovation Research (SBIR) - USA: incremental, milestone-based funding, with integration into public procurement.
- Innovative Public Procurement (IPP) Programme - Belgium: uses public procurement as a growth lever for startups, giving them access to the market via pilot projects or experimentation. Also finances co-development projects between startups and public entities.
- Innovative Solutions Canada (ISC), National Research Council Canada Industrial Research Assistance Program (NRC-IRAP) - Canada: existing but fragmented, to be harmonized.

4.4 TAXATION AND FINANCING

Challenges : There is capital, but it is not mobilized efficiently. Current tax rules and investment mandates limit investors' ability to deploy capital quickly, with ambition and conviction.

Suggested actions :

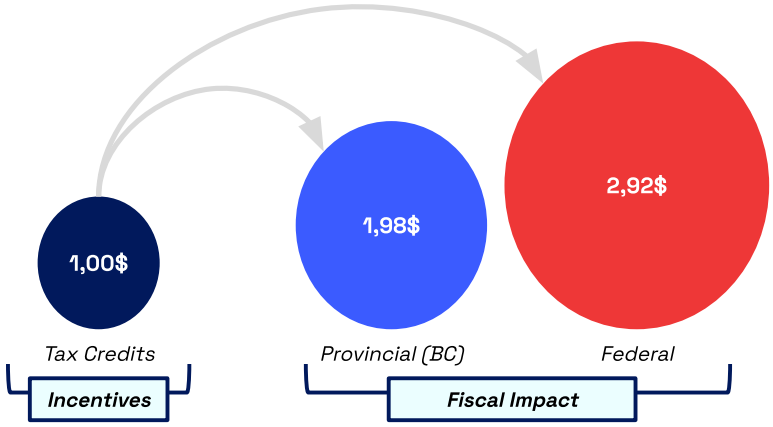
- Implement a tax credit for investors in startups, inspired by British Columbia's Small Business Venture Capital Program.
- Exempt capital gains reinvested in the Canadian technology ecosystem, particularly at the seed stage.
- Increase the capital gains exemption on the share capital of founders of Canadian tech startups compared to traditional SMEs, to reflect and encourage the much riskier nature of a tech startup.

- Create financial instruments adapted to deep tech (e.g. flow-through shares, patient capital, collateral-free loans).
- Reduce constraints on the deployment of public capital already invested in venture capital funds.

Relevant examples :

- Small Business Venture Capital Program - British Columbia, Canada: 30% tax credit for eligible investors. This program was launched over 25 years ago, and has even seen its scope expanded with an increase in the maximum credited amount and associated budget, demonstrating the value generated by this program. For every tax dollar credited, the government has recovered $1.98 at the provincial level and $2.92 at the federal level. Participating companies create an average of 2.4 new jobs annually, 93% of which are in BC (sources: University of British Columbia & University of Victoria, and National Angel Capital Organization (NACO)).

Impact of the Small Business Venture Capital Program in British Columbia on provincial and federal taxation



Sources : UBC & University of Victoria, et National Angel Capital Organization (NACO)

- Enterprise Investment Scheme (EIS) - UK: tax credit scheme for investors in SMEs, with relaxed criteria for innovative or R&D-intensive companies, up to 30% tax credits and tax-free gains after 3 years' ownership.
- Exchange 1031 - United States: deferred taxation of capital gains on the sale of property when an investor reinvests his or her capital in a similar property ("like-kind transactions"). This measure makes it possible to redeploy investment capital more rapidly in the ecosystem, to keep it in the United States, and to reduce the cost of capital. This measure contributes $97 billion (USD) in value added to GDP, encourages investment of more than $7.5 billion annually, and creates many jobs by stimulating an entire economic sector (EY, 2021).

- Section 1202 - United States: capital gains exemption of up to $10 million (USD), or 10x initial investment, for shareholders who hold their shares for more than 5 years in qualified small businesses. A more generous program for founders and shareholders compared to Canada's lifetime capital gains exemption (LCGE), which only goes up to $1 million per individual.
- Other examples - Europe :
    - France - IR-PME ("Madelin") tax reduction up to 25% of investments.
    - Germany - INVEST subsidy of up to 20% of amounts invested.
    - Spain - tax deductions of up to 50% through the Startups Act (2022).
    - Italy - 65% deductions for innovative startups IRPEF.
    - Ireland - 35-50% tax credits through EIIS (Employment & Investment Incentive Scheme).

4.5 INNOVATION CULTURE

Challenges : Institutional caution hinders local adoption. The lack of showcases and public recognition limits the emergence of new champions.

Suggested actions :

- Fund public technology showcases (e.g. in hospitals, cities, airports).
- Promote local entrepreneurial success stories in public discourse.
- Train public purchasers in innovation and technological risk.
- Offer financing options that reduce the personal risk of entrepreneurs and the financial risk of banks (e.g., offer guarantees to banks, as the European Investment Fund does).
- Extend the social safety net to technology entrepreneurs, since they face higher risks than traditional businesses.

Relevant examples :

- Innovate UK and e-Estonie - United Kingdom and Estonia: public strategy focused on experimentation and local valorization.
- European Investment Fund - Europe: micro-loan guarantees enable banks to reduce the level of personal collateral required, thereby reducing entrepreneurial risk.
- Entrepreneurial culture - United States: Americans promote their companies extensively, notably through film productions that have highlighted the mythical stories of Apple, Facebook, McDonald's, Ford and many other great success stories.

5 - CONCLUSIONS AND NEXT STEPS

We have many of the elements needed to nurture our startup ecosystem, but we need to adjust certain aspects to maximize the value we derive from our programs and policies. To better support technology startups, it is essential to adapt intervention mechanisms to their reality, increase the agility of government decision-making processes, and fully recognize their strategic importance to the economy of Quebec and Canada.

During our discussions, entrepreneurs also emphasized the advantages of doing business in Canada: a stable business environment, access to the international market facilitated by numerous free trade agreements, considerable support for research and development, the quality of talent coming out of our universities, and a strong community of help and support. Canada can use these strengths to continue building a resilient, dynamic and adaptive economy in a rapidly changing world.

To meaningfully support Canada's startup ecosystem, we need a collective, deliberate and deeply coordinated effort that inspires entrepreneurs to build ambitious, impactful businesses. This starts with shaping a culture that celebrates entrepreneurship - shining a light on the builders, telling their stories and making the idea of launching something bold in Canada attractive. Then, we need to support that ambition with capital, programs and concrete action - investing early and often, not just money - so that founders have the freedom to act quickly and solve big problems.

The federal government must take clear and assertive leadership to define a concrete vision for the Canadian economy, establish the role that startups will play in it, and mobilize all Canadians around this social project.

This report is an invitation to act together - quickly, concretely and strategically - so that technological Canada can not only emerge, but establish itself as a pillar of our economic recovery.

Québec Tech remains available to help the government implement the levers needed to achieve this.

About Québec Tech

Québec Tech, formerly known as Startup Montréal, was born out of the need to make the innovative entrepreneurship ecosystem more bold and ambitious. We propel high-potential export-oriented Quebec tech companies by mobilizing resources and tools to accelerate their growth. We mobilize and engage key stakeholders to build a strong and lasting global reputation for Quebec.

Since June 2025, the organization has played a key role in providing services and managing the Ax.c space, an internationally renowned hub dedicated to technological entrepreneurship. This space aims to bring together key players in innovation within a single ecosystem.

For more information, visit www.quebectech.com.

You have questions about the document? Reach out to the authors :

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Appendix A :

List of startups and participants

#	Participants	Startups
1	Albert Dang-Vu	**LiveSnap**
2	Anna Chif	**Coral / Dialogue**
3	Charles DeGuire	**Kinova Robotics**
4	Denis Lajoie	**Synode**
5	Dominic Gagnon	**Connect&Go**
6	Donald Beauregard	**flovver**
7	Etienne Lacroix	**Vention**
8	Étienne Lemieux	**Bio Alert**
9	Francis Robichaud	**Lime Santé**
10	Gabriel Sundaram	**Attain / Bus.com**
11	Guillaume Hervé	**Zetane Systems**
12	Henri-Charles Machalani	**Mistplay**
13	Jade Doucet-Martineau	**Puzzle Medical Devices**
14	Jean-Sébastien Carrier	**Dyze**
15	Jérôme Bourassa	**Qubic**
16	Julien Camirand Lemyre	**Nord Quantique**
17	Louis Brun	**Sollum**
18	Louis-Philippe Garneau	**Ethnocare**
19	Mahmood Shirazy	**Calogy**
20	Mathieu Allaire	**Agendrix**
21	Mohannad El-Barachi	**Wrk / SweetIQ**
22	Pascal Chiva-Bernard	**Ara Robotic**
23	Patrick Murphy	**Maket**
24	Patrick Ostiguy	**Accedian**
25	Philippe Beauchamp	**Ugo Work**
26	Sam Ramadori	**BrainBox AI**
27	Simon Chaput	**Boréas**
28	Simon De Baene	**Workleap**
29	Simon Lapointe	**Encephalx**
30	Simon Leblond	**SMARTD**
31	Stéphane Gagné	**Immugenia**
	Autres participant.es (3)	

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Appendix B :

List of references and data sources

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9. Réseau Capital. (2024, août). Analyse de l'évolution de l'industrie privée de capital de risque au Québec et de ses sources de financement. Analyse de l'évolution de l'industrie privée de capital de risque au Québec et de ses sources de financement. https://reseaucapital.com/nouvelles/analyse-de-levolution-de-lindustrie-privee-de-capital-de-risque-au-quebec-et-de-ses-sources-de-financement-2/

10. University of British Columbia & University of Victoria. (2010, June). An Evaluation of the Venture Capital Program in British Columbia. https://dspace.library.uvic.ca/server/api/core/bitstreams/b85b0a45-5dd2-4f2d-8cf6-766b5e415901/content

11. World Population Review. (2025). Current World Population https://worldpopulationreview.com/

Appendix C :

List of programs presented in the examples

Canadian examples:

- Employment insurance for the self-employed: https://www.canada.ca/fr/services/prestations/ae/assurance-emploi-sb-autonomes.html
- Canadian Space Arm: https://www.asc-csa.qc.ca/fra/canadarm/qu-est-ce-que-le-canadarm.asp
- Hydro-Québec - Québec: https://www.hydroquebec.com/histoire-electricite-au-quebec/chronologie
- Innovative Solutions Canada (ISC): https://ised-isde.canada.ca/site/solutions-innovatrices-canada/f r
- National Research Council Canada Industrial Research Assistance Program (NRC-IRAP): https://nrc.canada.ca/fr/soutien-linnovation-technologique
- CANDU nuclear reactors: https://ressources-naturelles.canada.ca/source-energie/energie-nucleaire-uranium/technologie-nucleaire-canada
- Small Business Venture Capital Program - British Columbia: https://www2.gov.bc.ca/gov/content/employment-business/investment-capital/venture-capital-programs

International examples:

- Germany :
    - INVEST grants: https://www.bmwk.de/Redaktion/EN/Publikationen/Invest/invest-venture-capital-grant.pdf?__blob=publicationFile&v=6
- Belgium:
    - Innovative Public Procurement (IPP) Programme: https://www.vlaio.be/en/vlaio-network/programme-innovation-procurement-pip
- South Korea:
    - Ministry of Startups and SMEs: https://www.mss.go.kr/site/eng/main.do
- Spain:
    - Startup Law: https://one.gob.es/en/startups-law

- Estonia:
    - e-Estonia: https://e-estonia.com/
    - Startup Estonia: https://startupestonia.ee/
- United States:
    - Section 1031: https://www.irs.gov/pub/irs-news/fs-08-18.pdf
    - Section 1202: https://www.law.cornell.edu/uscode/text/26/1202
    - Small Business Innovation Research (SBIR): https://www.sbir.gov/
- France :
    - Mission French Tech: https://lafrenchtech.gouv.fr/
    - Tax reduction (IR-PME): https://entreprendre.service-public.fr/vosdroits/F37091
- Ireland:
    - Employment & Investment Incentive Scheme (EIIS): https://eiis.ie/
- Italy:
    - IRPEF: https://investorvisa.mise.gov.it/index.php/en/home-en/incentives-to-investors-italy-s-industria-4-0-plan
- United Kingdom:
    - Enterprise Investment Scheme (EIS): https://www.gov.uk/guidance/venture-capital-schemes-apply-for-the-enterprise-investment-scheme
    - Innovate UK: https://www.ukri.org/councils/innovate-uk/
- Singapore:
    - EntrePass: https://www.mom.gov.sg/passes-and-permits/entrepass
- Sweden :
    - Ignite Sweden: https://www.ignitesweden.org/
- European Union :
    - European investment fund: https://www.eif.org/index.htm