

# Greater Montréal's Flourishing Software Development Sector



# The world's best economic promotion agency at your service





# Content



01

Greater Montréal:  
A Leading Tech Hub

02

A Deep and Growing Pool  
of Highly Qualified Talent

03

Attractive  
Operating Costs  
and Incentives

04

Montréal International's  
Personalized, Free and  
Confidential Services

# 01

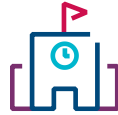
## Greater Montréal: A Leading Tech Hub



# Top reasons to invest in Montréal's software development sector



**179,000+ tech workers** and **5,000 companies** in Greater Montréal



**Voted best student city in the Americas and Canada's university capital**



The metropolitan area with the **most bilingual and trilingual population in Canada**



**72,000+ workers in software development** in Greater Montréal



**\$1 billion+** in yearly funding dedicated to university research



**The lowest operating costs in Canada and the U.S.** for a software development company



**Among the top five cities in Canada & the U.S.** for highest tech jobs concentration

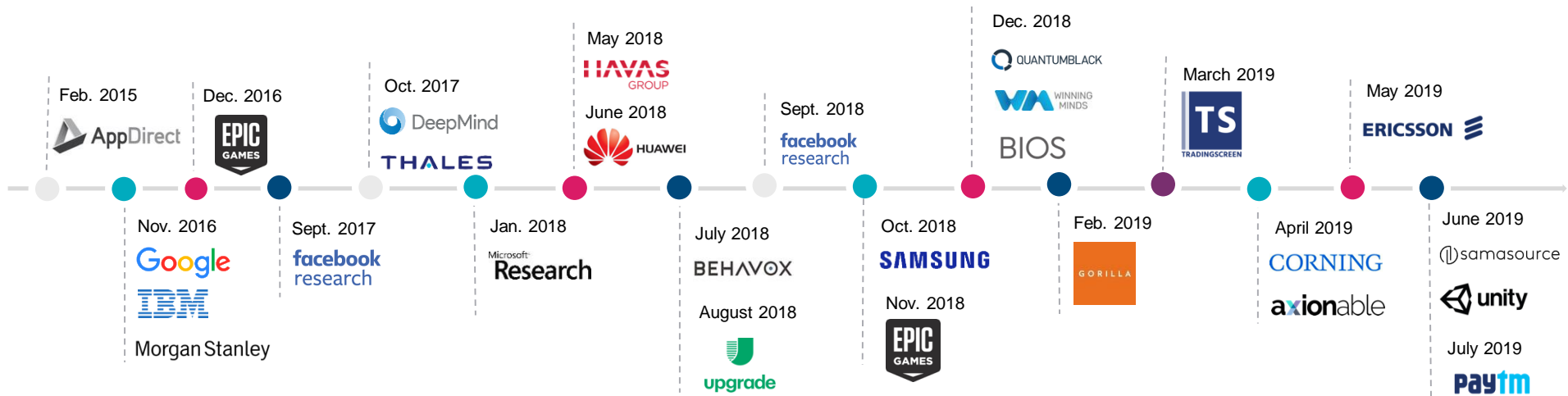


**Nearly 17,000 university students** enrolled in IT related programs and the highest number of graduates in tech in Canada

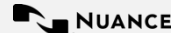
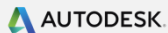


**Incentives: up to 30%** of eligible expenses and salaries

# Recent investments by global players



## Other foreign companies flourishing in Greater Montréal



# Homegrown Greater Montréal successes



Payment technology solutions company with 850 employees. In Sept. 2020, it soared in its debut as a public company after raising US\$700M in the largest technology initial public offering ever on the Toronto Stock Exchange.



One of the first flight-booking applications to use AI to predict airfare pricing; a global giant, now worth close to US\$1B.



SaaS company that employs more than 500 employees in four offices. It has raised CA\$227M at a valuation of over \$1B in Nov. 2019.



A technology company dedicated to revolutionizing the workplace—putting people back at the heart of organizations.



Provides point of sale (POS) solutions to retailers and restaurateurs. As of Oct. 2020, the company's market capitalization is \$4.9B.



A rapidly-growing company, Breather offers flexible, short-term office and meeting space rentals, with 500 plus private locations in 10 major cities (as of 2020).



Among the largest IT and business consulting services firms in the world with 77,500 consultants across more than 400 locations worldwide.



A global leader in training for the civil aviation and healthcare markets with over 10,000 employees, 160 sites and training locations in over 35 countries.

# An extensive network of VC investors

More than **US\$1.7 B** in VC investments since 2018 including 164 transactions in Greater Montréal with a heavy tech focus

Six of the eight most active VCs in Canada in 2019 are based in Greater Montréal



# Fostering tomorrow's breakthroughs: home to leading accelerators and incubators



Techstars Montréal AI selects startups that advance the development and application of AI across all industries and markets.



Ranked among the top 20 university business incubators in the world by UBI Global 2019. Powered by ETS, Centech provides mentoring, coaching and financial support to companies.



A partnership with HEC Montréal, CDL-Montréal runs a specialized program focused on Artificial Intelligence and data science to capitalize on Montréal's expertise in the sector.



An accelerator and founder development program for early or ideation stage AI-enabled startups.



FounderFuel is an accelerator program providing structured and unstructured mentoring and coaching by proven entrepreneurs over a four-month residency program for two cohorts of 8 to 10 companies per year.



A unique startup foundry and seed fund. Since 2010 they have created over 25 ventures who have collectively raised over \$150M in capital and are valued at over \$500M.



Ranked among the top 20 university business incubators in the world by UBI Global 2019. The Centre has helped establish 125 active startups that employ over 1,200 people and have raised \$110M to date.



As a hub of innovation at Concordia University, District 3 offers entrepreneurs the resources they need to move from idea to impact.

# A supportive ecosystem


## Cluster organizations

 <p>Greater Montréal technology cluster</p>	 <p>AI-powered supply chains supercluster</p>	 <p>IT sector committee dedicated to IT recruitment professionals</p>	 <p>Québec's largest ICT business network</p>
--	--	--	--

## Research Institutes

 <p>Québec's AI institute</p>	 <p>Institute for Data Valorization</p>	 <p>An applied research and expertise centre in IT</p>
--	--	---

## R&D Financing

 <p>Prompt facilitates the creation of partnerships and the financing of IT R&amp;D projects</p>
---



# ENCQOR 5G: unlocking technological promise through Canada's first 5G corridor



- **\$400M** invested into Canada's **5G public-private ENCQOR project network** over the next five years starting in 2018.
- **The Canada-Québec-Ontario partnership** is focused on research and innovation in the field of 5G disruptive technologies and on adoption initiatives and system uses.
- ENCQOR's cutting-edge platforms will leverage 5G to empower companies to **develop and export a new wave of creative products and services** in areas such as e-health, smart cities, connected and autonomous vehicles, fintech, cybersecurity, Internet of Things (IoT) and others.

# A world-class hub in artificial intelligence

- **\$3+ billion in AI investments** in Greater Montréal since 2016
- The Canadian government chose Montréal as headquarters for **SCALE AI**, Canada's AI supply chain supercluster
- A community of more than 600 researchers and graduate students at Mila - the world's largest academic research lab in deep learning and reinforcement learning
- Sample of major players located in Greater Montréal:



# 02

## A Deep and Growing Pool of Highly Qualified Talent





## 179,000+ tech workers in Greater Montréal

- Greater Montréal boasts an highly qualified workforce
- There is an **18.2% increase in tech jobs in Greater Montréal (2014-2018)**
- The **turnover rate is as low as 11%** for the tech industry



Source: Montréal International's estimate based on 2018 *TECHNOCompétences' Labour Diagnostic in ICT in Québec*; Statistics Canada, *Labour Force Survey (LFS)*, 2018.

# 72,000+ workers in software development call Greater Montréal home

670+ job titles taken into account to define workers in software development\*

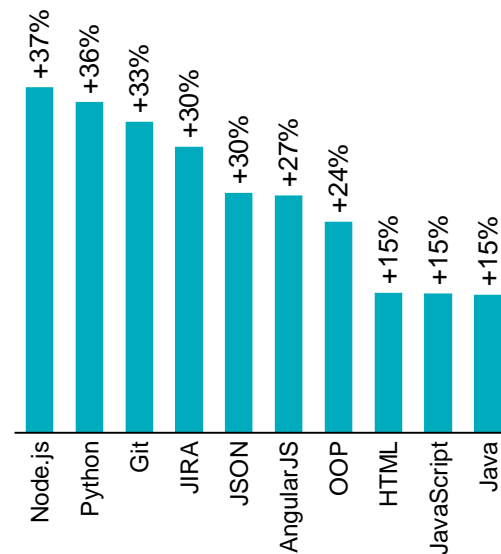


Number of Greater Montréal LinkedIn profiles that list the titles above: **72,657**

Number of workers who have the skills below



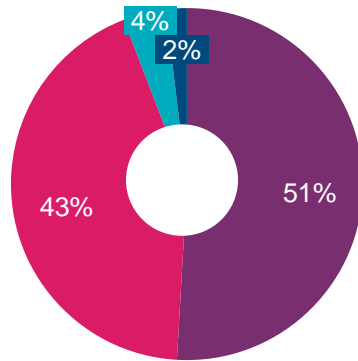
Fastest-growing skills among programming workers over the past 12 months



\*Note: Excluding niche specialties such as video games, VFX and animation.  
Source: LinkedIn, Talent Insights, December 2, 2019.

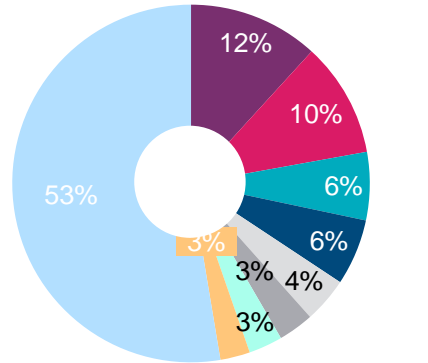
# 98% of workers in software development have a university degree, of which 43% hold a Master's degree or higher

Highest level of education among software development workers  
(100% = 72,657)



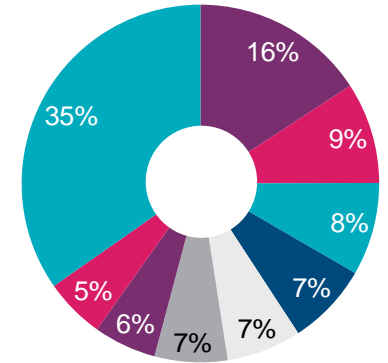
- Bachelor's degree
- Master's degree
- PhD
- Other

Main fields of study chosen by software development workers



- Computer Science
- Computer and Information Sciences
- Computer Software Engineering
- Electrical and Electronics Engineering
- Information Technology
- Computer Engineering
- Accounting and Business/Management
- Mathematics
- Other

Universities where software development workers earned their degrees



- Concordia University
- McGill University
- Université du Québec à Montréal
- Université de Montréal
- Polytechnique Montréal
- École de technologie supérieure
- HEC Montréal
- Université de Sherbrooke
- Other



# A large pool of university students enrolled in IT-related programs

Nearly **17,000**  
enrolled in  
IT-related programs  
at universities located  
in Greater Montréal

IT-related programs	University students enrolled in 2018-2019	University graduates, 2018
Computer Sciences	9,381	1,719
Electrical and Electronic Engineering	3,374	759
Computer Engineering	2,193	460
Mathematics	1,427	286
Applied Mathematics	132	31
Probabilities and Statistics	195	42
<b>Total</b>	<b>16,703</b>	<b>3,297</b>

# The best student city in the Americas and Canada's university capital

- **Canada's university capital:** 11 university institutions and 60 colleges
- **320,000 post-secondary students**, including more than **200,000 university students** and **35,500 international university students**
- **\$1+ billion in funding yearly dedicated to university research**
- **Best student city in the Americas:**



**Best student city in the Americas**

2019 QS Best Student Cities Rankings

1	Montréal
2	Toronto
3	Boston
4	Vancouver
5	New York



# 03

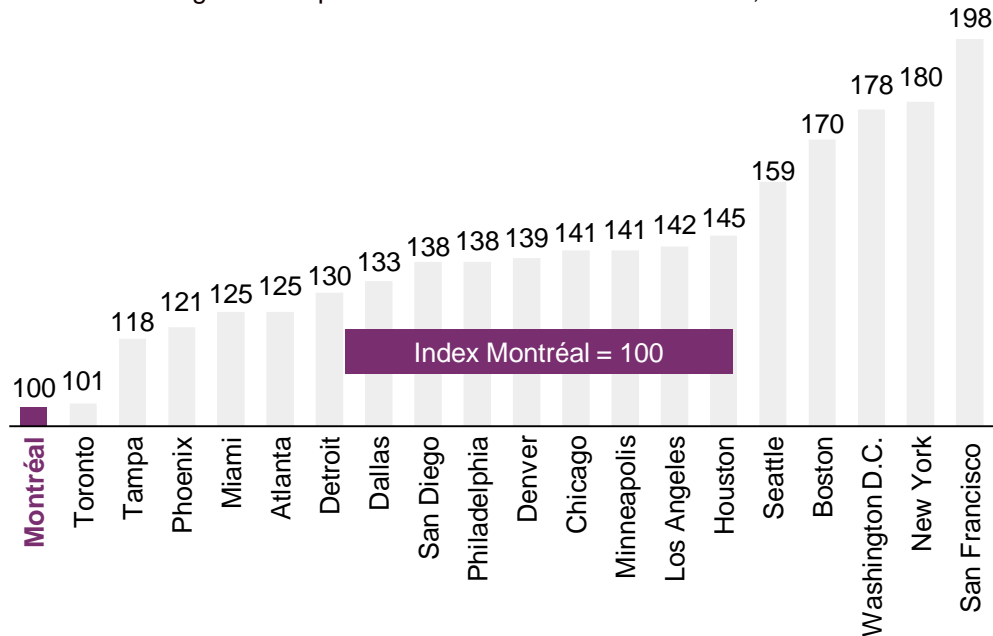
## Attractive Operating Costs and Incentives



# Operating a business costs less in Greater Montréal than in any other major metropolitan area in Canada and the U.S.

## Operating costs index for software development

20 largest metropolitan areas in Canada and the U.S., 2020



**29% cost advantage**

compared to the average 20 largest metropolitan areas in Canada and the U.S.

# Advantageous salaries for employers

## Median annual salaries\* (US\$) for eight typical occupations in software development

	Montréal	Montréal with E-Business tax credit applied** (assuming 100% eligibility)	Toronto	Atlanta	Chicago	Boston	Seattle	New York	San Francisco
Database Analyst	\$60,121	\$42,085	\$63,647	\$85,316	\$88,994	\$95,696	\$98,721	\$98,038	\$105,610
Programmer	\$61,432	\$43,003	\$64,994	\$85,773	\$89,439	\$96,174	\$99,213	\$98,564	\$106,148
Database Architect	\$65,760	\$47,310	\$69,427	\$94,123	\$97,501	\$104,872	\$108,120	\$108,208	\$115,984
Computer Engineer	\$67,320	\$48,870	\$71,023	\$98,905	\$102,084	\$109,837	\$113,172	\$113,753	\$121,615
Software Developer	\$67,982	\$49,532	\$71,699	\$99,241	\$102,405	\$110,184	\$113,525	\$114,142	\$122,010
Software Engineer	\$69,009	\$50,559	\$72,748	\$101,797	\$104,847	\$112,832	\$116,213	\$117,109	\$125,016
Main Software Developer	\$76,976	\$58,526	\$80,892	\$114,774	\$117,227	\$126,208	\$129,801	\$132,173	\$140,192
IT Consultant	\$70,677	\$52,227	\$74,453	\$105,162	\$108,058	\$116,311	\$119,744	\$121,018	\$128,966

Note: \*Salaries based on five years of experience, Computer systems design services (NAICS 541512).

\*\* E-Business tax credit reinforces a salary cap of CA\$83,333, meaning that a maximum of CA\$20,000 refundable and CA\$5,000 non-refundable credit can be claimed per eligible employee.

Currency exchange based on the monthly average of June 2020: US\$1.00 = CA\$1.3550.

Source: Economic Research Institute, Inc., July 2020.

# Low mandatory benefit costs for employers

## Examples of mandatory benefit costs for employers, 2020

Gross annual salary*	\$50,000	\$100,000	\$125,000
Québec Public Pension Plan (employee: 5.7%; employer: 5.7%, max. \$3,146.40)	\$2,850.00	\$3,146.40	\$3,146.40
Québec Parental Insurance Plan (employee: 0.494%, employer: 0.692%, max. sal. of \$78,500)	\$346.00	\$543.22	\$543.22
Employment Insurance (employee: 1.20%, employer: 1.68%, max. sal. of \$54,200)	\$840.00	\$910.56	\$910.56
Health Services Fund (max. 4.26% if global salary total is more than \$6M)	\$2,130.00	\$4,260.00	\$5,325.00
Commission des normes du travail (Labour standards board) (0.07%, max. sal. of \$78,500)	\$35.00	\$54.95	\$54.95
Commission de la santé et sécurité du travail (Occupational health and safety board) (0.44% in service sector, max. sal. of \$78,500)**	\$220.00	\$345.40	\$345.40
Workforce Skills Development and Recognition Fund - Québec Training Law 1% (1% of their total payroll in training for employers with total annual payroll over \$2M)	\$500.00	\$1,000.00	\$1,250.00
<b>Total benefit costs</b>	\$6,921.00	\$10,260.53	\$11,599.08
<b>Total cost</b>	<b>\$56,921.00</b>	<b>\$110,260.08</b>	<b>\$136,575.53</b>
<b>Total benefits in % of gross annual salary</b>	<b>13.84%</b>	<b>10.26%</b>	<b>9.26%</b>

Note: \*Paid vacation represents a minimum of 4% of salary and is included in gross salary. Some rates apply up to a maximum insurable revenue.

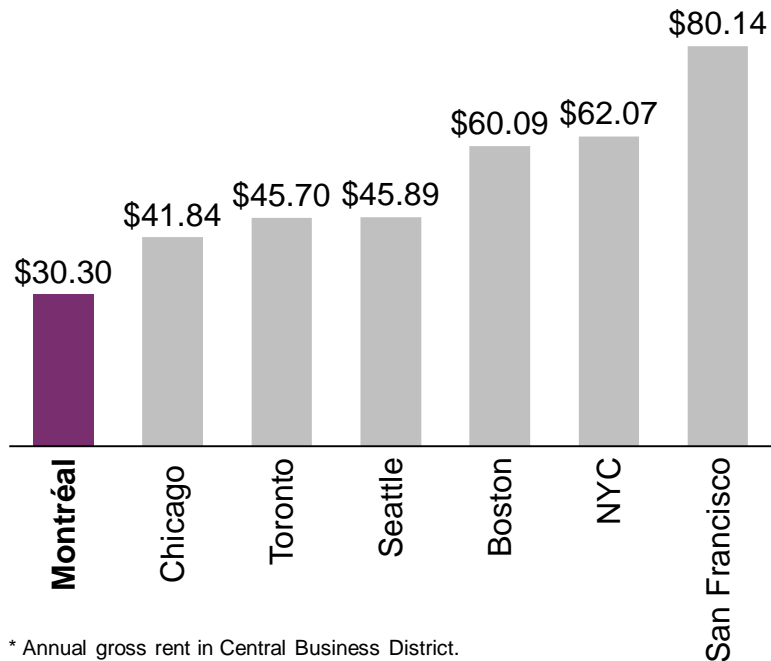
\*\*The rate for the service sector (65110 - *Bureau de courtage; bureau de services professionnels; bureau offrant des services de soutien administratif*) is 0.44%. The average premium rate in 2020 is \$1.85 per \$100 of payroll.

Source: Revenu Québec, 2020.

# Most affordable office rent

Average asking rent  
(All classes – US\$/sq.ft./yr)\*

Seven of the largest metropolitan areas  
in North America, 2020



\* Annual gross rent in Central Business District.  
Currency exchange: CA\$1 = US\$0.76.  
Source: Cushman & Wakefield, Q3 2020.



# Easy access to highly advantageous incentives

## Major projects and innovations

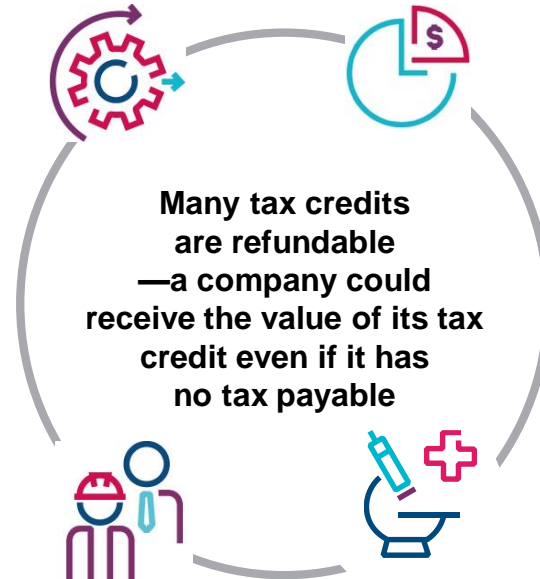
Grants, interest-free loans and other supports, including:

- **ESSOR** program
- **Tax holiday** for large investment projects
- **Tax Credit** for Investments and Innovations (C3i)
- **Incentive Deduction** for the Commercialization of Innovations
- Competitive electricity rates of **CA¢3.98/kWh** for large power\*

## Labour development

Example of incentives:

- **25% of costs** to implement training programs
- **50% of costs** to create an HR department



## Sector tax credits

Equivalent to eligible salaries and expenses:

- **Up to 43%** for film and video production
- **Up to 37.5%** for multimedia production
- **Up to 30%** for e-business development
- **24%** for international financial centres

## Research and development

- **Up to 30%** tax credit on R&D expenses
- **Tax holiday** for foreign researchers and experts
- *And many others, such as:* Prompt, Mitacs, National Research Council Canada

Note:

\* Rate LG: large power with minimum billing demand of 5,000 kW, transmission and distribution included, for 120-kV supply with 95% load factor, and including the Economic Development Rate reduction (if eligible).



# E-Business tax credit could cover up to 30% of eligible salaries

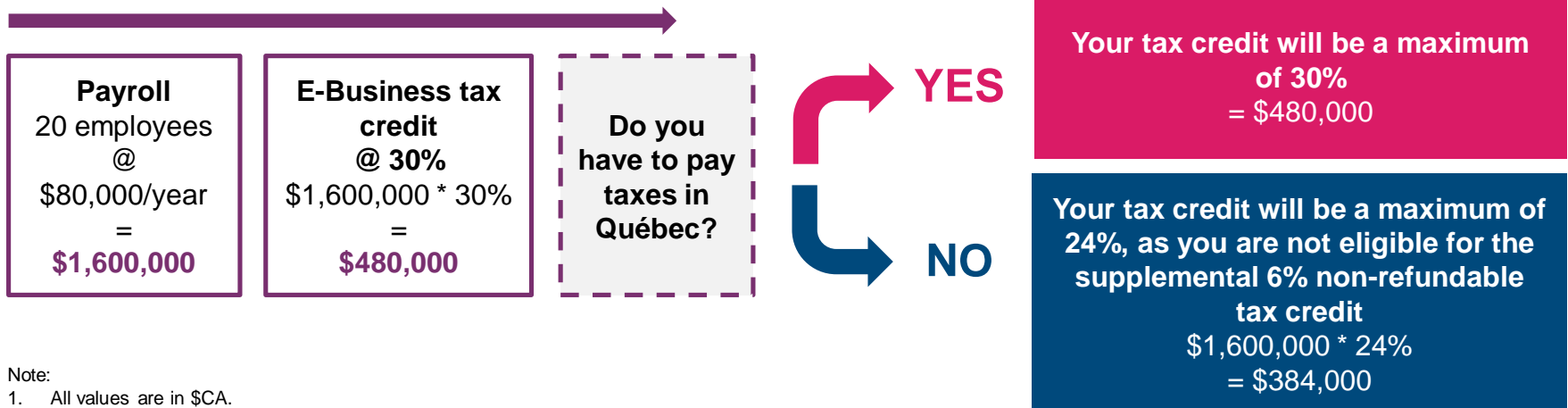
## SCENARIO

### Québec refundable tax credit for the development of E-Business:

- Covers up to **30%** of employee salaries, including **24% refundable**, up to **\$25,000** per employee, per year

## ASSUMPTIONS<sup>1</sup>

- Foreign-controlled private company
- 20 employees eligible @ \$80,000/year
- 100% of their work is related to eligible activities under the E-Business



Note:

1. All values are in \$CA.

2. The unused portion of the non-refundable tax credit can be carried back three years or forward 20 years.

Source: Ministry of Finance of Québec, 2019; Montréal International's analysis, 2019.

# R&D tax credits: 15% non-refundable from the government of Canada and 14% refundable from Québec

SCENARIO	Canada (Federal)	Québec	
Scientific Research and Experimental Development (SR&ED) tax incentive program	Qualifying salaries and wages	\$1,500,000 (A)	\$1,500,000 (D)
	Other eligible expenses @ 55% <sup>2</sup>	\$825,000 (B)	-
	Subcontractor <sup>3</sup>	\$160,000 (C)	\$100,000 (E)
	Exclusion on the first \$225,000 of R&D expenditures <sup>4</sup>	-	\$(225,000) (F)
	Deduction of the Québec R&D credit <sup>5</sup>	\$(192,500) (G)	-
	<b>Total qualifying expenditures</b>	<b>\$2,292,500</b> <b>(A) + (B) + (C) - (G)</b>	<b>\$1,375,000</b> <b>(D) + (E) - (F)</b>
	Refundable Québec credit @ 14%	-	\$192,500 (G)
	Non-refundable federal credit @ 15%	\$343,875 (H)	-
	<b>Total tax credit</b>	<b>\$536,375 (G) + (H)</b>	

## ASSUMPTIONS<sup>1</sup>

- Private, foreign-controlled company, more than \$75M assets
- 15 eligible employees @ \$100,000/year
- 100% of their work is related to eligible activities
- Subcontractor: \$200,000

Note:

- This model takes into consideration recent changes made to certain tax credits (2012, 2014 and 2015) and is thus valid as of fiscal 2019.
- Up to 55% of qualifying salaries and wages, federal only: expenditures should be related to R&D activities.
- Only 80% of the amount paid to a subcontractor is eligible for a federal tax credit and 50% for Québec tax credit.
- Québec only: For SMEs (less than \$50M assets) there is an SR&ED tax credit exclusion on the first \$50K of R&D spending. For large companies (more than \$75M assets) and companies under foreign control, the exclusion applies on the first \$225K of R&D spending. This amount is deducted of the qualifying salaries and wages.
- For the purposes of calculating the combined rate of the credit, the tax credit from the government of Québec is applied against the federal tax credit.

Source: Ministry of Finance of Québec, 2019; PWC, 2019; Compilation: Montréal International, 2019.

# Combination of E-business and SR&ED tax credits

## Refundable tax credits for Scientific Research and Experimental Development (SR&ED) and E-business (CDAE)<sup>1</sup>:

- E-business covers up to **30%**, including **24% refundable**, of employee salaries up to **\$25,000** per job per year
- SR&ED covers **15%** from the Government of Canada, and **14%, refundable**, from the Government of Québec

### SCENARIO

Combination of the Québec refundable tax credit for the development of E-business (CDAE) and the federal Scientific Research and Experimental Development (SR&ED)

### ASSUMPTIONS<sup>2</sup>

- Foreign-controlled private company
- 20 eligible employees @ \$80,000/year
- 100% of their work is related to eligible activities

	SR&ED	CDAE
	FEDERAL	QUÉBEC
Qualifying salaries and wages	\$1,600,000 (A)	\$1,600,000 (C)
Other eligible expenses @ 55% of A <sup>3</sup>	\$880,000 (B)	-
<b>Total qualifying expenditures</b>	<b>\$2,480,000 (A)+(B)</b>	<b>\$1,600,000 (C)</b>
<b>Federal credit @ 15% of total qualifying expenditures</b>	<b>\$372,000</b>	-
<b>Québec credit @ 30%<sup>4</sup> of total qualifying expenditures</b>	-	<b>\$480,000</b>
<b>Total credit</b>	<b>\$852,000</b>	

Other scenarios are possible to maximize the total credit amount depending on the R&D intensity

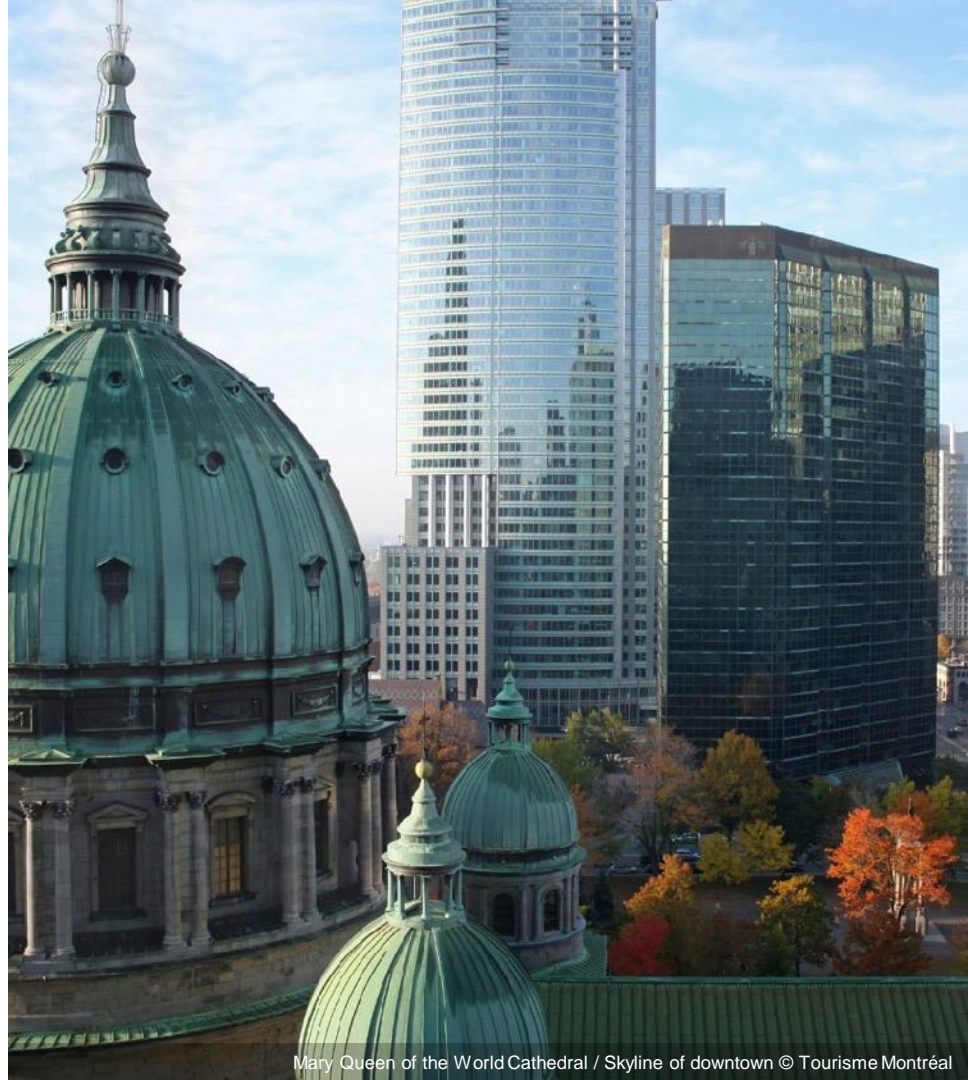
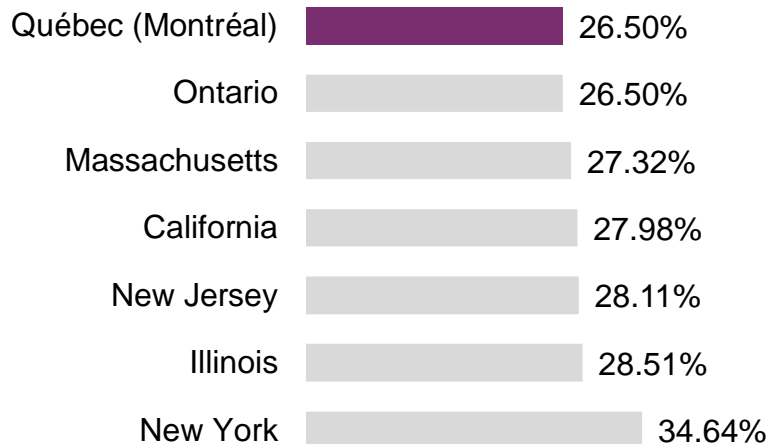
Note:

1. Company has to choose between the SR&ED or the E-business tax credit for the Québec credit.
2. This model takes into consideration recent changes made to certain tax credits (2012, 2014 and 2015) and is thus valid as of fiscal 2019.
3. Up to 55% of qualifying salaries and wages, federal only: expenditures should be related to R&D activities.
4. If the company has no taxes to be paid, the Québec credit will be 24%.

Source: Ministry of Finance of Québec, 2019 - Compilation: Montréal International, 2019.

# Québec offers corporations an attractive tax treatment

**Comparison of corporate effective tax rate (%)**  
Selected Canadian provinces and U.S. States, 2020



# 04

## Montréal International's Personalized, Free and Confidential Services



# Montréal International, a single point of access to a series of personalized, free and confidential services



**Long-term  
strategic support**



**Economic data  
and communication  
services**



**Government  
relations facilitation**



**Incentive programs  
assistance**



**Foreign workers  
immigration  
assistance**



**International  
recruiting solutions**



## Contact us



Montréal  
International

**Montréal International**  
380 Saint-Antoine Street West  
Suite 8000  
Montréal, Québec H2Y 3X7

**t** +1 514-987-8191  
[www.montrealinternational.com](http://www.montrealinternational.com)

This document is the property of Montréal International. You are authorized to reproduce this document, in whole or in part, provided that its content is not modified and that Montréal International is clearly identified as the originator of this material. You shall not, in any circumstances, use the material in a manner that could create a false or misleading impression with respect to the source of the material, including but without limitation, by means of a mark or mention that does not refer to Montréal International.

