Program Overview and Application Instructions

This document is for use under the Saskatchewan Chemical Fertilizer Incentive (SCFI) program.

Updated: April 7, 2026

Financial Programs Unit
300 – 2103 11th Avenue
Regina, SK   S4P 3Z8
Phone: 306-510-2771
Email: SCFI@gov.sk.ca

PROGRAM OVERVIEW

The SCFI program is a tax incentive available to qualifying companies operating in the chemical fertilizer sector. Introduced in 2020, the SCFI program is open to corporations with facilities that process eligible chemical fertilizers. The program became effective November 1, 2017. To be considered for eligibility, applications for conditional approval must be received by December 31, 2026. Approved applicants will have until December 31, 2031, to complete their eligible project.

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 meet all SCFI requirements will receive a credit against Saskatchewan corporate income tax payable. The credit is equal to 15 per cent on eligible capital expenditures for newly constructed or expanded chemical fertilizer production facilities in Saskatchewan. The eligible capital project must exceed $10 million and be in production.

Once the company has successfully completed the qualifying process and entered production, the SCFI-eligible corporation:

- Must apply for a Certificate of Eligibility by December 31, 2034. Once the Certificate is issued, the company will have until December 31, 2044, to claim the full amount of the tax credit.
- Claim up to 20 per cent in year one, 30 per cent in year two, and 50 per cent in year three, and carry forward any remaining credits for up to 10 years; and
- Claim other tax incentives or grants the Government of Saskatchewan may offer without impacting SCFI eligibility or impairing the ability to claim the SCFI tax incentive.

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 the following eligibility requirements:

1. Engages in **eligible chemical fertilizer activity, defined as:**
   Processing mineral or chemical feedstock to create single or multi-nutrient synthetic fertilizer products. This excludes the manufacturing of potash fertilizer products where potash is the primary feedstock.

2. Involves **new or expanded production** capacity:
   Eligible projects must involve either:
   - Construction of a new chemical fertilizer production facility, or
   - Expansion of an existing facility that results in a net increase in production capacity.
     For projects involving the expansion of an existing facility, the applicant must be able to demonstrate that the eligible capital expenditure 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.

     Capital investments that upgrade, replace or add equipment within an **existing facility may qualify as an expansion** for the purposes of the SCFI program, provided the investment results in a demonstrable, net increase in productive capacity. Eligible projects must demonstrate measurable increases in the quantity or quality of saleable product produced, compared to baseline production levels prior to the investment.

3. Have at least **$10 million in new eligible capital expenditure**:
   Qualifying new capital expenditures are those that are directly related to the investment in the chemical fertilizer activity. "New capital expenditure" means expenditures made by the applicant with respect to the arm's-length acquisition of any real and depreciable property that is used in Saskatchewan primarily for eligible chemical fertilizer activity.

   Examples of eligible and non-eligible capital expenditures are provided in section 3 of The SCFI Regulations, as well as under the Eligible Expenditures Section of this document.

APPLICATION STEPS

The SCFI program uses a two-step application process.

Step 1: Application for Conditional Approval
Typically, before initiating construction or shortly after, a corporation submits an *Application for Conditional Approval*, which describes:
- the chemical fertilizer activity to be undertaken,
- the anticipated capital expenditures to be made, and
- where the project is an expansion of an existing facility, the increase in productive capacity.

The application must be submitted by December 31, 2026. Conditionally approved applicants will be issued a Letter of Conditional Approval.

Once an applicant has received the Conditional Approval, the applicant must construct the eligible chemical fertilizer facility and bring the facility into working condition by December 31, 2031.

Step 2: Request for Certificate of Eligibility
After completing construction and bringing the facility into production *(i.e. producing single- or multi-nutrient synthetic fertilizer products by using mineral or chemical feedstock, excluding potash as the primary feedstock*), an applicant must submit the Request for Certificate of Eligibility by December 31, 2034, which includes:

1. A Compliance Report issued by a third-party Chartered Professional Accountant (CPA), describing the total eligible capital expenditures made.
   - The Compliance Report confirms compliance with the eligible and ineligible program expenditure outlined in this document, *The Saskatchewan Chemical Fertilizer Incentive Act* and *Regulations*. The Compliance Report must be prepared in accordance with the Canadian Standards on Assurance Engagements (CSAE), specifically with CSAE 3531, *Direct Engagements to Report on Compliance* or in accordance with the Canadian Auditing Standards (CAS) 805, *Audit of Single Financial Statements and Specified Elements, Accounts or Items of a Financial Statement.*

2. In the case of expansion to an existing facility, an Efficiency/Productivity Analysis Summary issued by a licensed engineer, describing the increase to productive capacity.
    - A baseline report must be completed prior to initiating the expansion and again following the expansion, which will describe the increase to the productive capacity.

3. If claiming land as an expense, an appraisal prepared by a licensed real estate appraiser is required.

The application and supporting documentation are reviewed by program administrators. Where the project meets all eligibility criteria, a Certificate of Eligibility is issued to the corporation.

Claiming the Tax Incentive
The SCFI is a tax credit program that allows approved corporations to claim credits against Saskatchewan corporate income tax payable.

1. To claim the SCFI, the approved corporation must first file a T2 Corporate Income Tax (CIT) return with the Canada Revenue Agency (CRA). Once the CIT return has been assessed and a T2 Notice of Assessment has been issued, the corporation must complete the SCFI Claim Form and submit it to the Ministry of Finance, along with copies of the following:
    - SCFI Certificate of Eligibility,
    - A copy of the Corporate Income Tax Return (T2),
    - A copy of the Corporate Financial Statements and
    - Current year's CRA Notice of Assessment or Reassessment.

    A Claim Form must be submitted for each year that the credit is claimed. The 10-year redemption period begins upon issuance of the Certificate of Eligibility, and the first claim must be submitted within three years of issuance.

    Redemption of tax credits is limited to a maximum of 20 per cent in year one, 30 per cent in year two and 50 per cent in year three. Eligibility certificates for taxation years will not be issued after December 31, 2034, making 2044 the final year in which to claim credits.

2. The Ministry of Finance will verify the Claim Form and provide:
    - A credit calculated in accordance with the program legislation; or
    - A written notice indicating that the corporation is not entitled to the credit and reasons for the determination.

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 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 the productivity gains that will be achieved as a result of the proposed solutions.
    - Percentage increase in productivity.
    - Measurement of increase in quantity or quality 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 in efficiency/productivity. The submitted report does not need to be in this format but must include all the same information.

Work Plan - Equipment - Facility Modification	Example: Installation of a Parallel Compressor Unit
Estimated Budget - ($$ including installation)	$15 million
Identify and Explain - Process Improvement - Automation/Innovation, or - New Technology	Process improvement and automation: - Will improve process air capacity within an ammonia production unit directly increasing ammonia and downstream urea fertilizer production.
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 per cent or 500,000 units/year. Market value of $1,500,000. - Reduced packaging time by 35 per cent due to automation process. - Reduction of wasted final product by 90 per cent or 50,000 units/year. Market value of $150,000. - Reduce overall production time by 30 minutes per batch (equivalent to 1 hour per day, or 17 per cent reduction).

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.

ELIGIBLE EXPENDITURES

The Saskatchewan Chemical Fertilizer Incentive Act and *Regulations* outline expenditures that are eligible and ineligible for the purpose of the program. The following table outlines additional expenditures as eligible or ineligible. Applicants may request clarification on expenditures not listed by emailing scfi@gov.sk.ca.

	Eligible	**Ineligible**
EQUIPMENT		
Used equipment or facilities	**X**	
Control panels, fans, instruments, pumps	**X**	
Stationary machinery and equipment for processing	**X**	
Electrical process controls and monitoring equipment	**X**	
Electrical communication and control equipment	**X**	
Data network infrastructure equipment	**X**	
Oil or water storage tanks	**X**	
Equipment for reducing, preventing or eliminating pollution	**X**	
Major spare parts classified as plant, property and equipment (PPE)	**X**	

	Eligible	Ineligible
Any property that can be easily removed from the facility and resold, including: • Equipment and furnishings for offices, boardrooms, lunchrooms and retail facilities, [Regulations, 3(1)(d), 3(1)(e), 3(1)(f)] • Power operated movable equipment for excavating, moving, placing or compacting earth, rock, concrete or asphalt [Regulations, 3(1)(g), 3(1)(h)] • Tools • Items considered regular repair or maintenance • Major spare parts that are considered inventory and <u>not</u> classified as PPE • Timber cutting and processing		X
FACILITIES		
Retail facilities		X
Buildings not associated with the chemical fertilizer activity		X
INTANGIBLES		
Costs associated with the required reports for the purpose of making an application to the SCFI, including: • Compliance Report • Efficiency/Productivity Analysis summary • Appraisal	X	
Capitalized costs of: • Qualified professional services associated with the eligible new capital expenditures and includes costs associated with engineers, surveyors, electricians, pipe fitters, boiler makers, carpenters, etc. [Regulations, 3(1)(b)] • Installation of depreciable property or of a capital lease [Regulations, 3(1)(c)] • Interest	X	
Non-tangible products, such as intellectual property, franchise, concessions, certifications (such as Halal, organic, vegan, GMP, HACCP, ISO 2000, etc.) [Regulations, 3(1)(i)]		X
Costs associated with the applicant corporation's staff costs or time		X
Taxes paid (PST, GST, property taxes, etc.)		X
Non-capital lease costs for such things as leases on photocopiers, computers, water heaters/softeners or vehicles. [Regulations, 3(1)(a), 3(1)(l), 3(2)]		X
LAND*		
Land – only the portion of which is used for the new or expanded chemical fertilizer facility* [Regulations, 3(1)(a)]	X	
Land preparation costs for the processing facility, which may include: • Earth work • Sloping • Grading • Footings, foundation, buildings and structures required for the processing facility and for the purpose of accommodating an increase to productive capacity	X	
Logging, mining, construction, oil and gas development or processing		X
TRANSPORTATION		
Parking lots, access roads, perimeter fencing	X	
Freight paid on eligible expenditures	X	
Railcar spurs and railway switches	X	
Vehicles, including railway cars, railway locomotives, automobiles, tractors, trucks, mobile equipment, forklifts, lift trucks [Regulations, 3(1)(e)]		X

UTILITIES		
	Eligible	**Ineligible**
Utility connections from the property line to the chemical fertilizer facility, including: • Water • Telephone • Power • Sewer	**X**	
Additional utility connections within the chemical fertilizer facility, including: • Electrical • Plumbing • Sprinkler systems • Air conditioning and heating • Lighting • Elevators • Fibre-optics	**X**	
Electrical or heat producing, recovery or storage – solar or wind power, geothermal	**X**	
Water treatment equipment or facilities	**X**	
MISCELLANEOUS		
Any expenditure that does not add to the productive capacity of the chemical fertilizer facility		**X**
Sustaining capital		**X**

*Land that is claimed for the purpose of the SCFI will be assessed at the lower of actual cost and fair market value. Land as an eligible expense may require an appraisal by an appraiser who has designation by the Accredited Appraiser Canadian Institute.

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 the corporation to claim the tax incentives from the Ministry of Finance for a period of 3-10 years.

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

Compliance Report – A common report under Chartered Professional Accountant (CPA) assurance standards, which audits the expenses made relating to the investment project and describes the total eligible capital expenditures made, confirming compliance with this document, *The Saskatchewan Chemical Fertilizer Incentive Act* and corresponding program Regulations. The Compliance Report must be prepared in accordance with the Canadian Standards on Assurance Engagements (CSAE), specifically with CSAE 3531, Direct Engagements to Report on Compliance. Details regarding these standards are available on CPA Canada's website.

Efficiency/Productivity Analysis Summary – This report is only required where the SCFI application is being made for 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 to increase efficiency. The final report identifies the efficiencies of the improved process and measures the increase in productive capacity.

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

Letter of Conditional Approval – 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 with a degree of certainty prior to initiating their project.

In Production – The applicant must demonstrate they are producing either single- or multi-nutrient synthetic fertilizer products by using mineral or chemical feedstock. This does not include the manufacturing of potash fertilizer products where potash is the primary feedstock.

Productive Capacity – In the case of expansions to an existing facility, there must be an increase to the facility's productive capacity. This refers to the increased production of a new saleable product that was not achieved prior to the project or a significant increase in the quality or quantity of an existing saleable product.

Qualified Capital Expenditures – Please refer to *The Saskatchewan Chemical Fertilizer Incentive Regulations*, section 3 or the Eligible Expenditures section of this document.

Qualified Person – An auditor, 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 report prepared by a real estate appraiser accredited by the Accredited Appraiser Canadian Institute (AACI), that confirms the land purchased, including whether all or part of it is used for a new or expanded chemical fertilizer facility. The report also verifies the fair market value of the land.

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 Form,* unsuccessfully qualified for conditional approval, or unsuccessfully delivered on their conditions of approval.

FREQUENTLY ASKED QUESTIONS

Can our company apply for this incentive, even if we are receiving tax credits and rebates from other provincial programs?

Yes. The SCFI program is "stackable", meaning that a company's eligibility is not affected by eligibility for any other existing incentives. The program is designed to close the competitiveness gap.

Who can I contact with questions with respect to this program?

You may send any questions via email to SCFI@gov.sk.ca. A program administrator will respond or call you to discuss your inquiry.