

## **Tax Tip**

**Week of March 7, 2011**

### **Labour Sponsored Venture Capital Corporations**

The Ontario government has announced they will cease offering a 15% tax credit for investments in Labour Sponsored Venture Capital Corporations. Ontario joins Alberta and Prince Edward Island as provinces not offering an incentive for these investments. If the purchase is made in a RRSP, the taxpayer's out of pocket cost is minimal.

Given their high fees and low rates of return, these are often horrible investments. If not for the tax breaks supporting purchases, few investors would have any interest in adding these investments to their portfolio.

Ontario's action may help kill these horrible investments. Despite the tax credits, we recommend that individuals avoid these investments. It would be wonderful if the federal government and the other provinces would follow Ontario's lead. It is not often Ontario takes the lead in fiscal responsibility, so in this case it is a job well done.