

July 8, 2024

The Honourable Chrystia Freeland, P.C., M.P.
Minister of Finance
Finance Canada
90 Elgin St.
Ottawa ON
K1A 0G5

Dear Minister Freeland:

On behalf of the members of the signatory organizations which represent Canada's biotechnology and life science ecosystem, we are writing to express the sector's concerns regarding the proposed capital gains tax increase as presented in the April 2024 federal budget and urge the government to take steps in drafting the implementation legislation to avoid any unintended impacts of the increase.

The pandemic's economic, social, and health impact focused the attention of policymakers on the strategic importance of building and retaining a competitive domestic life science and biomanufacturing industry. Following the pandemic, both federal and provincial governments developed and implemented life sciences and biomanufacturing strategies designed to accelerate the creation and scaling up of biotech companies and biomanufacturing facilities across the country. The strategies and their corresponding investments have greatly enhanced Canada's competitiveness as a biotech nation. Indeed, combined with the influx of private investment capital, Canada's biotech sector is now experiencing a generational moment as companies have signed partnerships with global pharma companies and other investors totaling \$26 billion since 2019 (with 65 deals amounting to \$12 billion in 2023 alone). Importantly, there are now at least a dozen Canadian biotech companies poised to grow to the next level and be commercially active, Canadian-based, anchor companies.

The design and implementation of strategies to establish a robust and diverse biotech ecosystem is both strategic and prudent. However, it is important to recognize other nations are similarly investing in their domestic life sciences industries and will not hesitate to augment their position by attracting investors, talent, and even companies away from Canada. Faced with this global competition, it is imperative Canada act aggressively and ambitiously to enhance its competitive position and avoid any measures that will disadvantage the sector in the face of global competition.

For many biotech companies, second only to securing investment, attracting and retaining top talent is one of the greatest challenges for companies as they grow. Compounding this challenge is that talent is mobile and will gravitate to where it is best compensated.

Throughout the sector, many entrepreneurs launch their companies with limited investment capital and therefore use a hybrid salary-equity compensation model to build their own equity in the company and compensate employees who take the risk of joining a biotech company during

its start-up phase. The capital gains tax increase will greatly reduce the value of the equity portion offered to employees which will impact the ability of companies to attract and retain top tier talent.

The federal and provincial government strategies and investments are now accelerating the sector's growth at a critical time as global investment also gravitates to the sector. Accordingly, this is not the time to undermine the progress and hinder the sector's global competitiveness. In this context, the signatories to this letter strongly urge the government to take immediate steps to draft the legislation for the budget measure so that it does not undermine federal and provincial life sciences strategies and the company growth those policy commitments are driving.

Sincerely



Andrew Casey
President and CEO



Karen Churchill
President and CEO



Andrea Ladoucer
President



Robb Stoddard
President and CEO



Rory Francis
CEO



Benoît Larose
CEO



Wendy Hurlburt
President and CEO



Doris Grant
CEO



Jason Field
President and CEO



Maura Campbell
CEO