Fueling Canada’s Next Generation of Entrepreneurs: The Belief Capital Tax Credit

The Idea

Canada can spark a wave of new businesses and innovation by rewarding Canadians that invest directly in young builders.

We call this initiative the Belief Capital Tax Credit. The credit would let everyday Canadians invest directly in young people with new ideas. Investors would get a tax credit when they put money into these future leaders. All contributions and projects would be transparently shown and tracked.

This simple but powerful policy would unleash grassroots investment in talent across every discipline, from science to the arts, technology to trades – building a culture where anyone can back the potential they see in Canada’s youth.

Drivers

- **Canada has the talent:** We have one of the best-educated workforces in the world.
- **But we waste potential:** Many young Canadians with great ideas can’t find the money to experiment and potentially turn those ideas into products and companies.
- **The cost:** Young talent leaves Canada to pursue greener pastures in other countries. Canada ranks low in startup creation compared to countries like Israel and the U.S. We risk falling behind in global innovation.

How It Would Work

1. **Create a National Belief Capital Platform**
    - A secure online hub where Canadians can invest in entrepreneurs across the country.
    - Young people post their ideas, projects, or startups.
    - Investors can back the ones they believe in, with all investments tracked and reported publicly.
2. **Simple Rules**
    - **Investors:**
        - Can allocate up to $5,000 per year into young entrepreneurs

        - Deduct up to 50% of it ($2,500 tax credit on $5,000)
    - **Recipients:**
        - Can raise up to $25,000 per year to work on a project of their choice
        - Amount raised is non-taxable; use of funds must be for working on a project, product, or business, not for paying off debt.
3. **Total Transparency:**
    - Every dollar invested, source, use of funds is posted online; All Canadians can track how the money is used and what impact it has.
    - Investors can rate how satisfied they were with the progress made on funds allocated, incentivising efficient use of funds and penalizing the opposite

Why Now

The Brain Drain Crisis is Accelerating

Canada is hemorrhaging its most valuable resource: young talent. More than 50,000 people who were born in Canada moved from Canada to the U.S. in 2022, a rise of 50 per cent from the pre-COVID period. And overall, more than 820,000 people born in Canada currently live in America, enough to fill up a city the size of Winnipeg. This isn't just a statistics problem, it's an economic catastrophe in the making.

The tech sector exemplifies this crisis. More than 300,000 Canadians already work in Silicon Valley. These aren't just workers; they're potential entrepreneurs who could have built the next generation of Canadian companies. Instead, they're creating value and jobs for American and other global competitors.

The Perfect Storm of Opportunity

1. **Post-Pandemic Entrepreneurial Surge**: The COVID-19 pandemic sparked unprecedented interest in entrepreneurship globally. Young people witnessed how quickly traditional employment could disappear and are increasingly drawn to creating their own opportunities.
2. **Democratization of Business Building**: Technology has lowered the barriers to starting a business. A young person with $10,000-$25,000 can now quickly build and test products, reach customers globally, and compete with established companies in ways that were impossible a generation ago.
3. **Generational Wealth Transfer**: Canada is experiencing the largest intergenerational wealth transfer in history as baby boomers pass assets to younger generations. This creates a unique opportunity to redirect some of this capital toward productive investment in young entrepreneurs.

The International Competition is Intensifying

While Canada debates, other countries are acting. Israel, despite having a fraction of Canada's population, consistently ranks among the world's top startup ecosystems. The U.S. continues to attract global talent with its entrepreneurial culture and accessible capital.

Meanwhile, Canada's business environment score rose significantly from 14th place in 2023 to fourth in 2024. This is particularly notable amid growing concerns about federal policies that could negatively impact Canada's business climate going forward. We have a narrow window to capitalize on this improved business environment before potential policy changes erode our competitive position.

Why Traditional Solutions Are Insufficient

Government grants and loans are bureaucratic and slow. Venture capital is concentrated in major centers and focused on later-stage companies. Angel investors are a small, elite group primarily accessible through existing networks.

The Belief Capital Tax Credit would create a new category of supporter, everyday Canadians who believe in young talent and want to invest in their country's future. This isn't charity; it's patriotic capitalism that gives ordinary citizens a stake in Canada's entrepreneurial success.

Adjacent Success Stories

Around the world, creative solutions are helping students navigate early gaps in funding. Below we present some solutions that have been used instead of traditional loans and grants.

Chile and Colombia: The Lumni Success Story

In the early 2000s, entrepreneurs in Chile and Colombia had a simple idea: what if investors could fund students' education and get paid back only when those students found good jobs?

They created Lumni, a company that connects private investors with students who need money for school. Here's how it works:

- Students get money to pay for their education
- After graduation, they pay back a small, fixed percentage of their income for a set number of years
- If they don't find a job or earn very little, they pay very little or nothing at all
- If they do well and earn good money, they pay back more

This system worked remarkably well. By 2011, Lumni had raised $17 million to help students in Chile, Colombia, Mexico, Peru, and even the United States. By the mid-2010s, they were helping thousands of students across Latin America.

The key to Lumni's success was spreading the risk. Instead of betting on just one student, investors funded many students studying different subjects. This way, if some students struggled to find work, others would succeed and balance things out.

Most importantly, Lumni proved that helping students and making money could go hand in hand. Investors earned modest returns while students who couldn't afford university got degrees and better-paying jobs.

United States: Purdue University's "Back a Boiler"

In 2016, Purdue University in Indiana launched its own version called "Back a Boiler." Private investors and the university's own funds helped pay for students' education in exchange for future income payments.

From 2016 to 2022, the program provided about $14.6 million to over 1,000 students studying more than 150 different subjects. Students loved the flexibility—if they earned less money, they paid less. If they couldn't find work, they paid nothing.

The program also protected high earners by capping payments at 2.5 times the original funding amount. This meant successful graduates wouldn't pay forever.

While Purdue eventually paused the program due to debates about its terms, it proved the concept worked. A single university raised nearly $15 million in just a few years without any government help.

United Kingdom: The Power of Tax Incentives

The UK offers a different but related lesson through its Enterprise Investment Scheme (EIS). While this program focuses on funding new businesses rather than students, it shows how powerful tax incentives can be.

The EIS gives generous tax breaks to people who invest in early-stage companies, a 30% income tax credit plus exemptions on capital gains. In recent years, over 4,200 companies raised nearly £2 billion (about $3.3 billion Canadian) through this program.

Over 30 years, the EIS has funneled tens of billions of pounds into UK innovation, helping launch many now-successful companies. The key insight is simple: tax incentives work. By reducing the financial risk for investors, governments can direct private money toward important goals.

Target Impact

- **More Businesses:** More young people will see entrepreneurship as a viable career path.
- **More Jobs:** Small businesses drive most job creation in Canada, this stands to create more.

- **More Innovation:** New products, services, and technologies get to flourish in and be commercialized in Canada.

The Math

Canada had approximately 1.7 million domestic students enrolled in colleges and universities in the 2022/2023 academic year, representing an enormous pool of potential entrepreneurs. This analysis examines what happens when we unleash just a fraction of this talent through the Belief Capital Tax Credit. These projections use deliberately conservative assumptions:

Total post-secondary students (domestic)		1,700,000
Program participation rate		10%
Program participating students		170,000
Total raised per student per year		$15,000
Total amount raised per year		$2,550,000,000
Average investment per Canadian		$3,000
Total participating Canadians		850,000
Amount subject to Belief Tax Credit		$1,275,000,000
Average tax rate otherwise collected		30%
Total dollars otherwise collected	**(A)**	**$382,500,000**
% of students that turn investment into business		5%
Total businesses created		8,500
Average number of jobs created per business		3
Average salary per job created		$100,000
Taxable base per new business created (excluding business itself)		$300,000
Total taxable base (excluding business itself)		$2,550,000,000
Average tax rate on tax base		30%
Total dollars collected on new tax base	**(B)**	**$765,000,000**
ROI (A) / (B)		**2.0x**

The Multiplier Effect

The analysis above captures only direct job creation, not potential revenue from businesses created. The true economic impact includes:

Indirect Effects

- Supplier and vendor job creation
- Local spending by high-income earners, including housing and service sector growth
- Secondary business formation

Innovation Effects

- New technologies and intellectual property
- Increased competitiveness in global markets
- Brain gain (attracting international talent)

Cultural Effects

- Entrepreneurship becoming more mainstream; risk-taking becoming socially normalized
- Young people choosing to stay in Canada
- Increased investor sophistication among ordinary Canadians

Conclusion

The Belief Tax Credit proposal isn't about government spending. It's about taking a proactive step in nurturing young Canadian talent so that we as a country can reap the rewards of not only building world-class products and services, but also their commercialization by making it possible for young builders to lay their roots here at home.

The math is clear, the Belief Capital Tax Credit represents one of the most cost-effective job creation and innovation policies available to the government.

We need action. We need belief.