



Scientific Research & Experimental Development (SR&ED)

ACAMP – July 22, 2009

More Ways to Serve You!

Pour vous servir encore mieux !



Canada
Revenue Agency

Agence du revenu
du Canada

Telephone

(1876 – Alexander Graham Bell)



- Canada's most famous inventor started to experiment with sound when he was just a teenager. After years of tinkering, he figured out how to send sound-waves through wire, and the first – now famous - spoken words “Mr. Watson, come here, I need you” were transmitted on March 10 1876.

Light Bulb

(1874 –Henry Woodward/Mathew Evans)



- Henry Woodward and Mathew Evans patented the first electric light bulb, after having successfully tested it in Toronto. They then sold the patent to Thomas Edison. Bad move.

Program Objective

- **As part of the Government of Canada's Science & Technology Strategy, the SR&ED Program is designed to encourage and assist Canadian businesses to undertake SR&ED in Canada in order to develop new or technologically advanced products or processes.**
- ***SME's account for 80% of new jobs created and 82% of all new technologies – IRAP***

What the Program Provides

- **The program provides broad based support for SR&ED in every industrial sector in Canada.**
- **It is the largest single source of Federal support for industrial R&D.**
- **The program provides annually, over \$4 billion to more than 20,000 claimants.**

Ski-doo

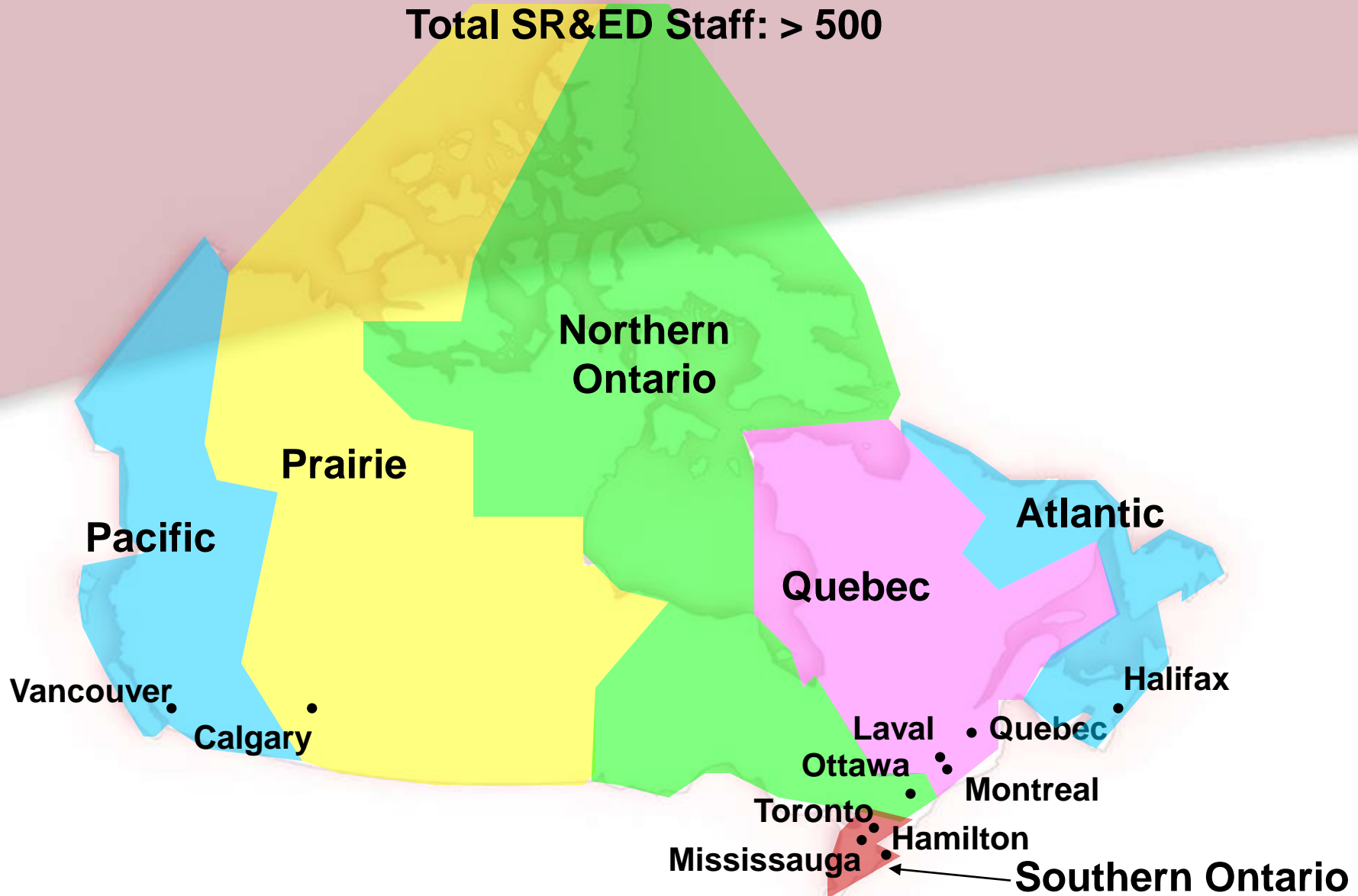
(1922 – Armand Bombardier)



- Talk about teenage ingenuity. Joseph Armand Bombardier, a 15 year old kid from Quebec, took the motor of an old Ford, somehow attached it to a sleigh, and changed winter transport forever.

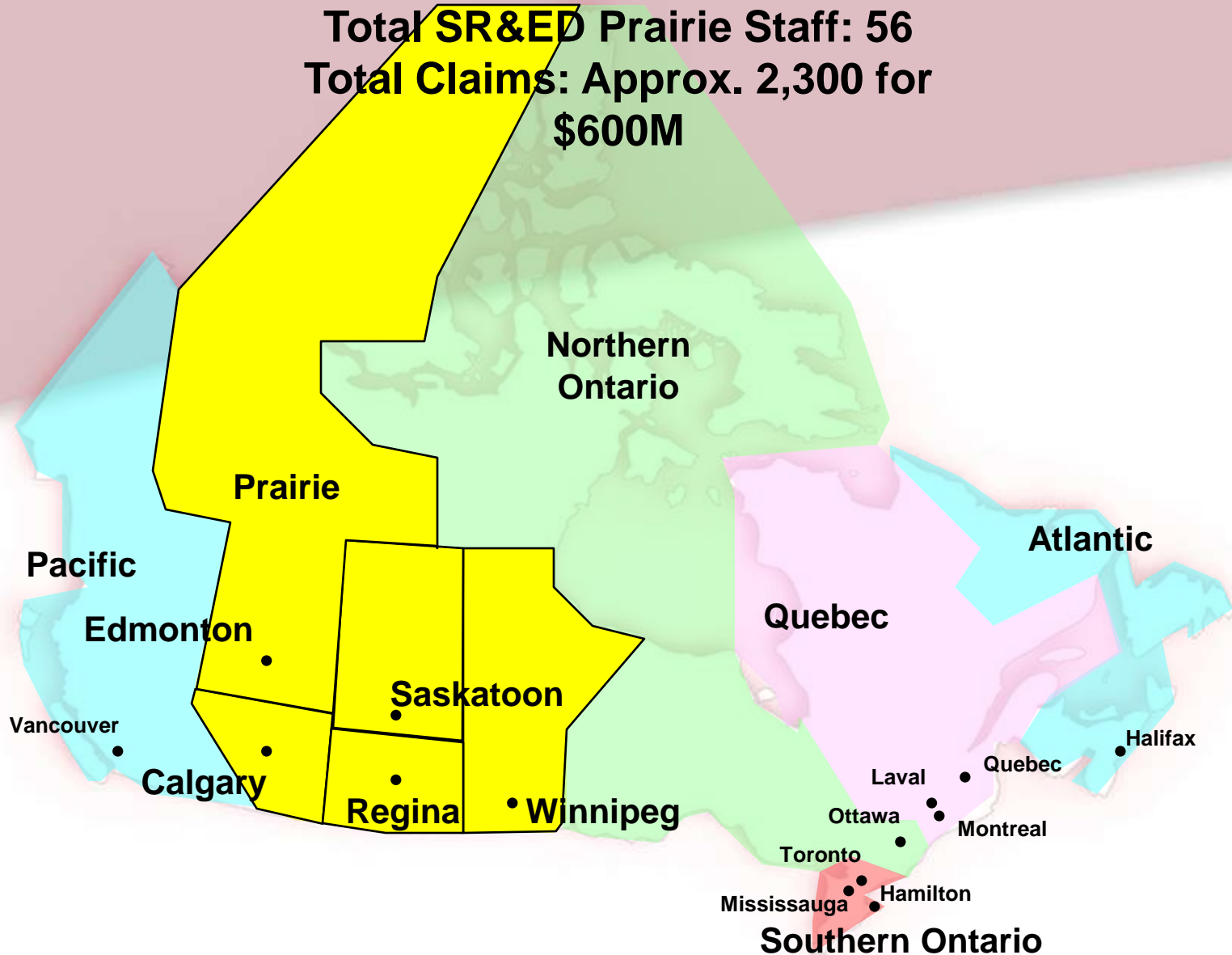
National SR&ED Program Overview

Total SR&ED Staff: > 500



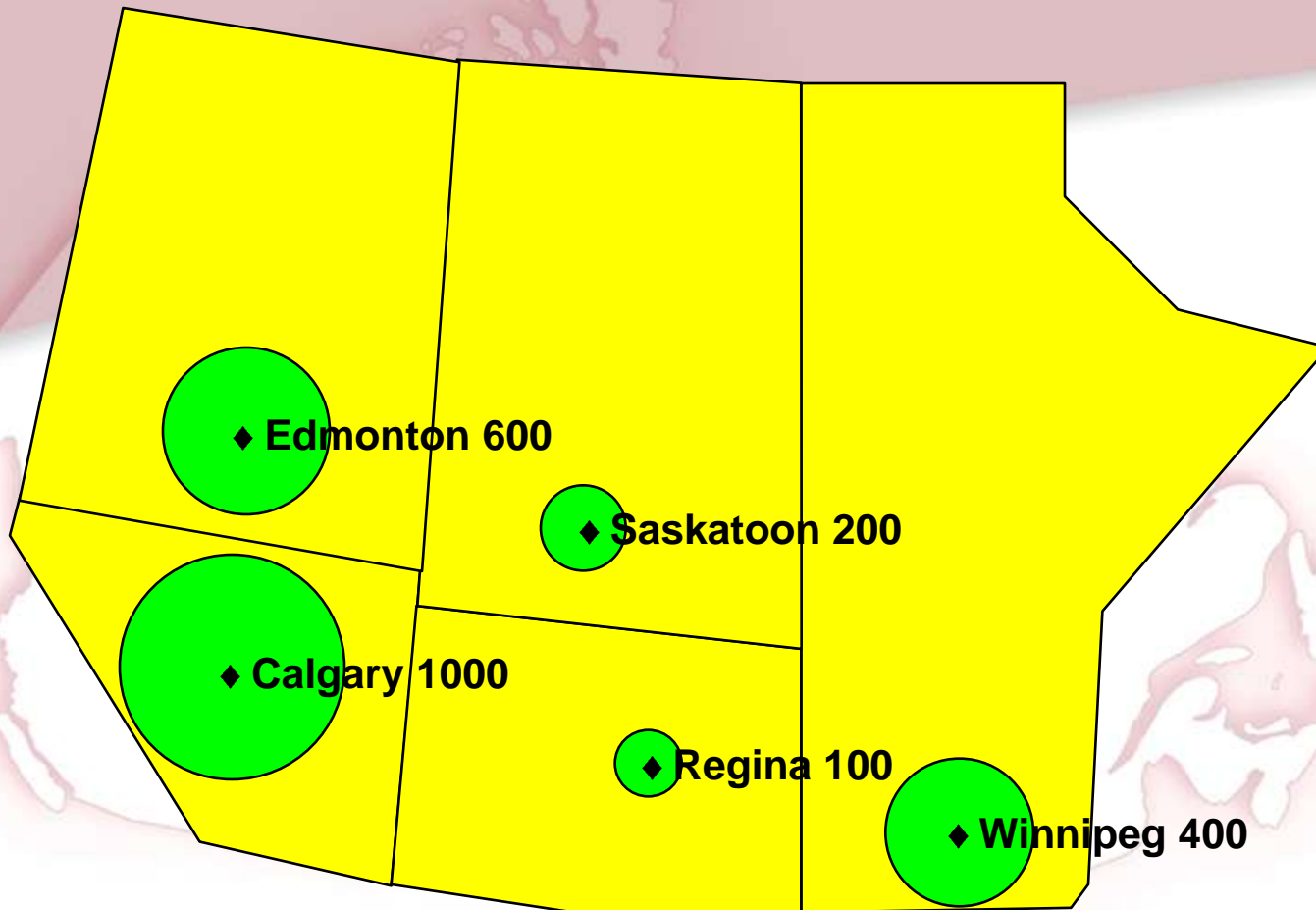
Prairie Region SR&ED Overview

Total SR&ED Prairie Staff: 56
Total Claims: Approx. 2,300 for \$600M



Prairie Region by Reviewing Office

Claims Received



What is the Incentive?

- **The incentive is in the form of an Investment Tax Credit (ITC) which is earned on qualifying expenditures.**
- **The ITC earned may be at a rate of 20% or 35% and may be up to 100% refundable**
- **ITC may be refunded or applied against taxes owing**
- **Expenditures incurred (including capital) qualify for immediate write off, or indefinite carry forward**
- **Pooling concept for both Expenditures and ITC**

Who is Eligible?

- **Canadian Controlled Private Corporations (CCPC)**
- **Corporations, other than, *Canadian Controlled Private Corporations***
- **Proprietorships, Partnerships and Trusts**
- **Different ITC Rates and Refundability apply**

Plexiglas

(1931 – William Chalmers)



- You can stomp on it, protect your eyes with it, and see right through it. A grad student in chemistry at McGill perfected a technique for making transparent polymerized methyl methacrylate – more commonly known by the name “Plexiglas”.

What is SR&ED?

Pursuant to subsection 248(1) the work must be:

- 1. A systematic investigation or search**
- 2. Carried out by means of experimentation or analysis**
- 3. In a field of science or technology**
- 4. Undertaken for:**
 - Achieving technological advancement**
or
 - Advancing scientific knowledge**

What is SR&ED?

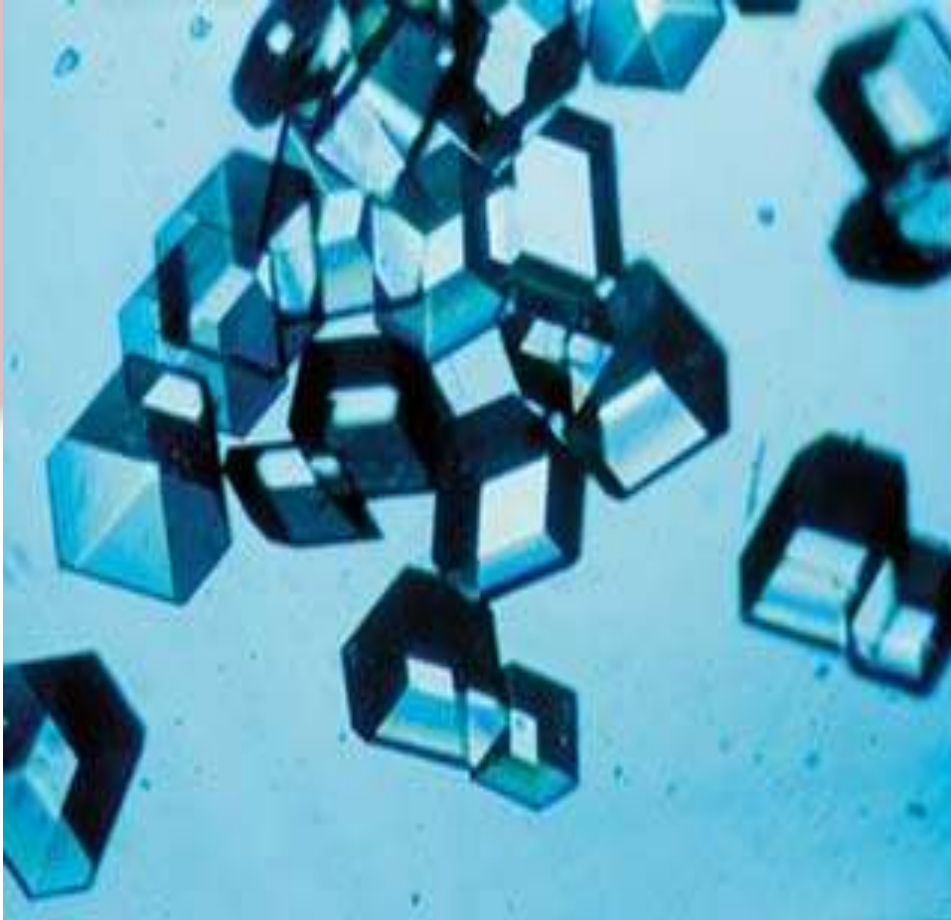
- **Work that is defined in subsection 248(1) of the Income Tax Act and contains the following 3 criteria:**
 - **Scientific or Technological Advancement**
 - **Scientific or Technological Uncertainty**
 - **Scientific or Technological Content**

Categories of SR&ED

- **Basic Research**
- **Applied Research**
- **Experimental Development**
- **Work that is commensurate with and in direct support of the above which includes only these 8 activities:**
 - **engineering**
 - **design**
 - **data collection**
 - **testing**
 - **operations research**
 - **mathematical analysis**
 - **computer programming**
 - **psychological research**

Insulin, Treatment for Diabetes

(1921 – Frederick Banting/Charles Best)



- It came to Banting in a dream one night – the nobel prize winning idea of how to treat diabetes with insulin. With the help of Charles Best, he finally isolated the compound that has changed the lives of millions of diabetics ever since.

Pacemaker

(1950 – John Hopps/Wilfred Bigelow/John Callaghan)



- Can an ailing heart be jolted into working? John Hopps thought so, and, in 1950, he developed the first pacemaker.

Ineligible Activities



- **Research in social sciences and humanities;**
- **Commercial production of a new or improved material, device, or product, or the commercial use of a new or improved process;**
- **Style changes;**
- **Market research or sales promotion;**
- **Quality control or routine testing;**
- **routine data collection;**
- **Prospecting, exploring, or drilling for or producing minerals, petroleum, or natural gas; and**
- **development based solely on design or routine engineering practice.**

What Expenses Qualify?

- **Wages**
 - **Materials**
 - **Contracts**
 - **Equipment**
 - **Third Party Payments**
 - **Overheads**
- 

Overhead Methods

Proxy or Traditional?

Proxy

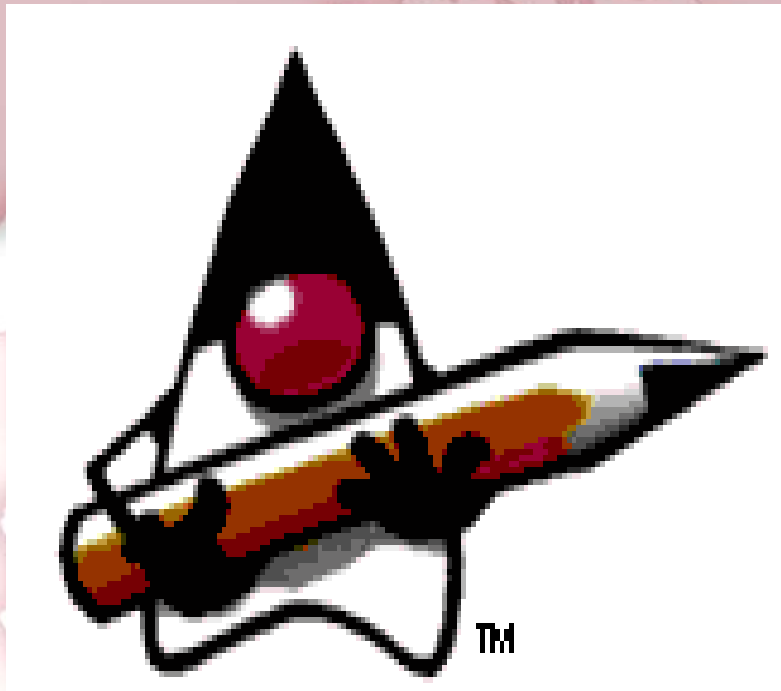
- **expenses claimed are limited to direct costs, no overheads**
- **in lieu of overheads, claim 65% of direct labour costs**

Traditional

- **claim direct costs plus incremental overheads costs**
- **must track incremental overheads.**

Java Programming Language

(1994 – James Arthur Gosling)



- No, it's not a mellow cup of coffee but, a multipurpose, cross platform, object oriented programming language. It's versatile enough to be used in a wide variety of applications...including the world wide web.

How to make a Claim?

- **A claim is normally filed with the income tax return for the year.**
- **Two forms must be completed and filed with the tax return, forms T661 (sch 32) and T2038 (sch 31).**
- **Form T661 provides a technical write-up of the project(s) and costs claimed.**
- **Form T2038 calculates the amount of ITC and any refund claimed.**

The Review Process

- **When a claim is received it may be subject to a two part review.**
 - **1) A Science review determines the eligibility of the activities undertaken.**
 - **2) A Financial review ensures the costs for the activities are correctly allocated.**

Service Standards

- **Refundable Current Claims** 120 days
- **TPR Current Claims** 240 days
- **Non-Refundable Current Claims** 365 days
- **Non-Refundable TPR Claims** 365 days

Blackberry

(1999 – Mike Lazaridis)



- The wireless hand-held phone with email is so addictive, they call them “Crackberries”. In 1999, Mike Lazaridis invented this device that lets your thumb do the walking.

Services We Provide

- **First time claimant service**
- **Pre-claim Project Review (PCPR)**
- **Account Executive Service**



Canadarm

(1975 – Spar Aerospace/NRC)



- The robotic Canadarm lifts Canada's technical wizardry to new heights...and hasn't malfunctioned once in 50 missions with NASA's space shuttle.

Alberta SR&ED Tax Credit

- **10% Refundable Tax Credit (max. \$400,000 credit)**
- **Expenditures from January 1, 2009 and subsequent**
- **Eligibility follows the Federal SR&ED program**
- **Must have a permanent establishment in Alberta**
- **Not available for Individuals, Trusts or Partnerships**
- **www.finance.alberta.ca for additional information and FAQ's**

How to reach us

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