SR&ED Program:
(Scientific Research and Experimental Development)
Should You Apply?

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What is the SR&ED Program?

...a tax incentive program to encourage Canadian businesses* of all sizes to conduct R&D that will lead to new or improved technologically advanced products or processes.

* business or individual claimants
  (a tax payer - not necessarily a payer of tax)
Topics

- SR&ED Program Overview
- What it is?
- What it is not?
- Criteria for Judging Eligibility
- “Routine” Engineering... versus SR&ED
- What do you need to apply?
- What might you expect?
- Questions and Answers
Overview

- Available since 1985
- Single largest government support for science and technology in Canada
- One of the world’s best tax-based incentive programs
- Entitlement program, not a grant
  - Small companies → CA$H Refund
  - Large companies → Tax Credit
Grant vs Entitlement Funding

SR&ED Investment Tax Credit

- R&D broadly based
- Demand program - no limit on program spending
- Non competitive
- Eligibility defined in law
What Is SR&ED?

The Definition

“Systematic investigation or search carried out in an eligible field of science or technology through experiment or analysis”

Income Tax Act, Sect. 248(1)
What Is Not SR&ED?

- Market research or sales promotion
- Quality control or routine testing
- Research in social sciences or humanities
- Prospecting, exploring, drilling for or producing minerals, petroleum or natural gas
- Commercial production or use of a new or improved material, device or product
- Style changes
- Routine data collection
Categories of SR&ED

1. Basic research
2. Applied research
3. Experimental development for achieving scientific or technological advancement
4. Support work for 1, 2 or 3
Factors Affecting Eligibility

The 2 Minute Version

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Research & Development

(S/T Uncertainty) SR&ED Question
y = ?

(S/T Advancement) Hypothesis
y = x^2

(S&T Content) Systematic Experimentation

Experimental Prototype / Pilot Plant

Literature Review

Design
Research & Development

SR&ED PROJECT
1) Advancement resolving
2) Uncertainty by
3) Experimentation

Conceptualization

Problem Definition
Feasibility Study

Literature Review

Design

Manufacturing

Focus

Compliance Standards

Commercial Model

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What Do You Need?
Documentation & Evidence

Dated* documents of:
- Original project goals
- The progress of the work
- How work was carried out
- Results & conclusions
- Other evidence (e.g., samples, pictures, etc.)

* Documents created during the R&D process
What might affect your claim?

- SR&ED program provides refund of eligible expenses incurred during the claim period.

- Nationally we process over 18,000 claims ($4B), the prairie region makes up over 10% of all claims.

- Time for refund can vary from 4 to 12 months, service can be faster if the claim is ‘Accepted as Filed’.

- Project description clearly written with the required information can speed processing.
Should you apply for SR&ED?

DO You …

➢ Conduct SR&ED activities yourself?

➢ Do collaborative SR&ED with local partners?

➢ Contract others (in Canada) to solve your SR&ED problems?

➢ … need assistance for research activities

… if so – YES please request a PCPR
Discussion

Questions / Answers

Web site: www.cra.gc.ca/sred

Inquiry Line: (403) 691-5890