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Scientific Research and Experimental Development (SR&ED)



**Programs and Service to Foster
Innovation – April 2011**

Benefit of Program

Federal Investment Tax Credit (ITC)

- 20% basic non-refundable ITC
- 35% refundable ITC if:
 1. Canadian Controlled Private Corporation
 2. Less than \$3 million in qualifying expenditures
 3. \$3 million expenditure limit is reduced where:
 - a) Prior year taxable income > \$500,000, up to \$800,000 maximum
 - b) Prior year taxable capital > \$10 million, up to \$50 million maximum

Provincial Investment Tax Credit (SK ITC)

- 15% refundable ITC after March 18, 2009

Qualifying Expenditures

1. Labour
2. Material
3. Overhead (*2 methods of calculation*)
4. Subcontract payments
5. Lease cost of equipment
6. Certain capital expenditures (all or substantially all for R&D)
7. Third Party Payments (Universities, Associations, etc)

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Definition of SR&ED

...**systematic investigation or search** carried out in a field of science or technology by means of **experiment** or **analysis** ... for **scientific or technological advancement**

Definition of Scientific Research

- Basic Research
 - Work undertaken for the advancement of scientific knowledge without a specific practical application in view
- Applied Research
 - Work undertaken for the advancement of scientific knowledge with a specific practical application in view

Definition of Experimental Development

- Work undertaken...for the purpose of creating new, or improving existing materials, devices, products or processes, including incremental improvements thereto

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Program Criteria

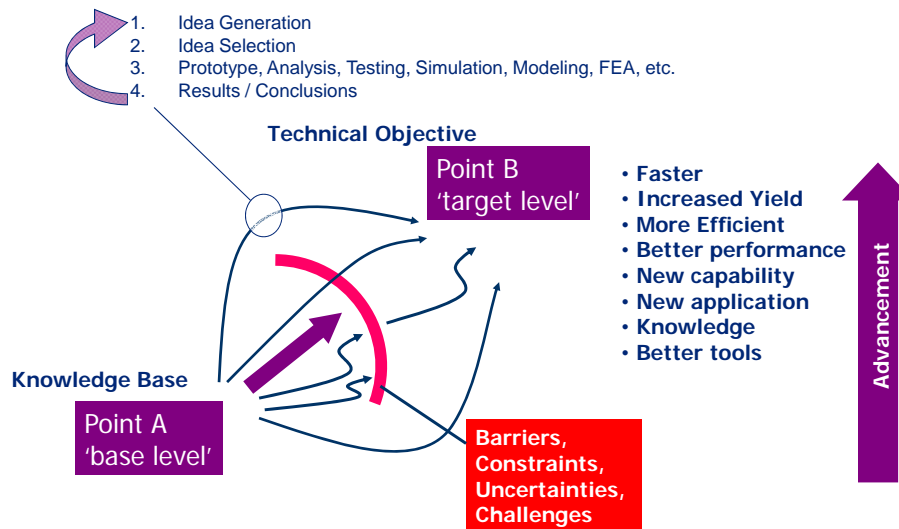
Eligibility Criteria

- Three Essential Elements
 - Technological advancement
 - Technological uncertainty
 - Technical content

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SR&ED In A Nutshell



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Technical Indicators of SR&ED

R&D includes a variety of activities, projects or programs which could involve SR&ED:

- New product
- Packages and/or process development
- Technical procedure development
- Product improvement
- Technology advancement
- Productivity improvement
- Product line extension

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Food Industry SR&ED Indicators

Product Development

- Contract payments for outside lab analysis, or development work
- Shelf Life Extension and analysis
- New products to meet changing consumer needs
- Non QC lab work
- Ingredient changes
- Packaging

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Food Industry SR&ED Indicators

Process Development

- High scrap rates
- High rate of “seconds” produced
- Inconsistent and non-uniform cooking
- Increasing throughput without adding capital
- New equipment
- Changes or variations in raw materials
- Line changes

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Claim Process

1. Identify eligible projects
2. Prepare project descriptions
3. Determine qualifying expenditures
4. Prepare Forms - T661 and either T2SCH31 or T2038(IND), Sch 403
5. File with tax return or amended return within 18 months of year end

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Conclusion

SR&ED Cost for an SME

Per \$100 in expenses	Per \$100 in wages
<ul style="list-style-type: none"> ▪ \$15.00 in Saskatchewan (15%) ▪ \$29.75 at federal level (35% refundable) ▪ Credits obtained = \$44.75 	<ul style="list-style-type: none"> ▪ \$24.75 in Saskatchewan (15% x 165%) ▪ \$49.09 at federal level (35% refundable of \$ 140.25) ▪ Credits obtained = \$73.84
✓ Cost: \$55.25	✓ Cost: \$26.16

SR&ED Cost for a Large Business

Per \$100 in expenses	Per \$100 in wages
<ul style="list-style-type: none"> • \$15.00 in Saskatchewan (15%) • \$17.00 at federal level (20% non-refundable) • Credits obtained = \$32.00 	<ul style="list-style-type: none"> • \$24.75 in Saskatchewan (15% x 165%) • \$28.05 at federal level (20% non-refundable of \$ 140.25) • Credits obtained = \$52.80
✓ Cost: \$68	✓ Cost: \$47.20

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CRA Services

- First –Time Claimant Service
- Preclaim Project Review (PCPR) Service
- Account Executive Service
- Public Information and Industry specific seminars
- Website: www.cra-arc.gc.ca/sred
- Toll Free: 1-800-959-5525
- Prairies SR&ED Information Line: 403-691-5890

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