

## **Scientific Research & Experimental Development Program (SR&ED)**

In Canada, research and development tax programs provides various kinds of incentives for business who invest in eligible research and development activities. The incentives include grants, loans and other incentives administered by various government departments and agencies. However, amongst all incentives, our tax incentives are, by far, the most significant. The tax programs that support scientific research and development in Canada include deductions, tax credits and tax refund from both federal and provincial governments.

Our SR&ED tax incentives is intended to encourage business, particularly small and start-up companies to conduct SR&ED that will lead to new, improved, or technologically advanced products or processes.

### **SR&ED EXPENDITURES**

If your company has undergone SR&ED projects, you should capture and record the SR&ED expenditures that relate to

the project for claiming SR&ED deductions. Then the expenditures for all eligible products undertaken in the taxation year can be aggregated and the total be added to the SR&ED expenditure pool, to be deducted in the year or carried forward to a subsequent year. These expenditures should also be analyzed to determine which expenditures are qualified expenditures for the investment tax credit calculation.

### **INVESTMENT TAX CREDIT**

Most Canadian SR&ED expenditures are “qualified expenditures” that entitle you to federal investment tax credits. For Canadian Controlled Private Corporations, there is a 35% Investment Tax Credit for current and capital qualified expenditures. If you have taxes to pay in the year, you can reduce your taxes payable by applying this Investment Tax Credit. If you have no or little taxes to pay, you can have the Investment Tax Credit refunded to you. The refund rate is 100% of Investment Tax Credit on current expenditures and 40% of Investment Tax Credit on capital expenditures.

On qualified expenditures in excess of specified expenditure limit, for Canadian Controlled Private Corporations, the Investment Tax Credit is 20% and the

refund rate is 40% for both current and capital expenditures.

### **ONTARIO TAX INCENTIVES**

Most of the provinces in Canada provide for their own incentives for Scientific Research and Development Expenditures. Ontario has several tax incentive programs, including the Ontario Innovation Tax Credit (OITC) and Ontario Business Research Institute Tax Credit (OBRI). OITC provides a 10% tax credit for qualifying Canadian Controlled Private Corporations having permanent establishment in Ontario. It is fully refundable, and applies to 100% of qualifying current expenditures and 40% of qualifying capital expenditures. For eligible Ontario research institute, there is a fully refundable credit of 20% of eligible expenditures.

### **TECHNICAL AND FINANCIAL SUBMISSIONS**

In order to claim the SR&ED tax incentives, your company has to file the claims within 18 months after the end of the year. You should not delay the claim process.

**You can call to ask for a free assessment on your eligibility, at (905) 886-0203.**