



SR&ED Tax Incentive Program

Bruno Ugolini, *Research and Technology Advisor*
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What is the SR&ED program?

- Provides tax incentives to encourage R&D work in Canada.
- Available to businesses of all sizes and industry sectors.
- Every year, the CRA provides approximately 20,000 businesses with tax credits totalling close to **\$3 billion**.

Canada has one of the most generous R&D tax credit programs in the world.

(Organization for Economic Co-operation and Development, 2017)

SR&ED basic requirements

- Claimant must be carrying on a business in Canada in the tax year
- SR&ED must be related to the claimant's business
- Expenditures must be incurred
- SR&ED must be performed in Canada by the claimant or for the claimant
 - Certain expenditures for SR&ED performed outside Canada are permitted

What are the benefits?

1. Deduct SR&ED expenditures either in the current year or in future years through a “pool” mechanism to reduce income.

2. Receive Investment tax credits (ITCs) calculated on qualified SR&ED expenditures that can be used to reduce income tax payable.

Research and technology aspects

Definition of SR&ED identifies

How

“...**systematic investigation or search** carried out in a field of science or technology by means of **experiment or analysis...**”

Why

“for the **advancement of scientific knowledge** (basic or applied research) or **technological advancement** (experimental development)”

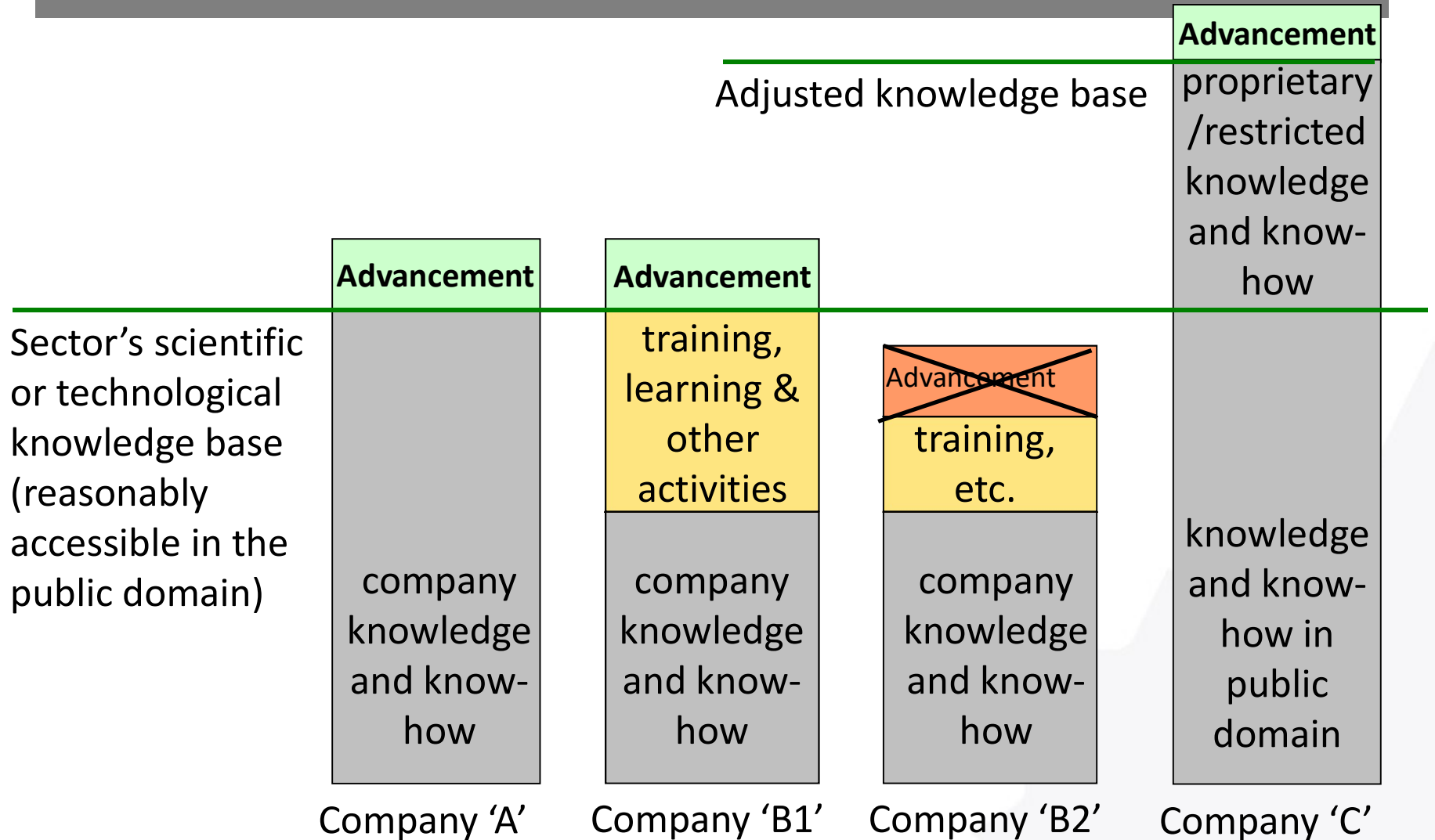
Research and technology aspects

Determining eligibility

Five questions:

1. Was there a scientific or a technological uncertainty?
2. Did the effort involve formulating hypotheses specifically aimed at reducing or eliminating that uncertainty?
3. Was the overall approach adopted consistent with a systematic investigation or search, including formulating and testing the hypotheses by means of experiment or analysis?
4. Was the overall approach undertaken for the purpose of achieving a scientific or a technological advancement?
5. Was a record of the hypotheses tested and the results kept as the work progressed?

Scientific or Technological Knowledge Base Scenarios



What costs are covered?

In general, **qualifying SR&ED expenditures** include:

- Salaries and wages of directly engaged employees.
 - Limited wages and salaries for certain SR&ED supporting activities outside of Canada.
 - Cost of materials consumed and transformed
 - SR&ED contract costs
 - **Third-party payments**
 - Overhead (directly related and incremental if traditional method chosen)
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Eight **support activities** are also considered eligible work for SR&ED projects.



1. Engineering
2. Computer programming
3. Mathematical analysis
4. Psychological research
5. Testing
6. Operations research
7. Design
8. Data collection

SR&ED services

The SR&ED Program offers several **free** services and tools to help you.

- Self-Assessment and Learning Tool
- Pre-claim consultation service
- First-time claimant advisory service
- Information and industry-specific webinars and seminars

You have questions? We can help.
canada.gc.ca/taxes-sred or 1-888-784-8709



Thank you!

Questions or comments?