

SR&ED tax credits aren't just for scientific research and experimental development firms. **Your business can qualify too.**

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No matter what size your organization is, chances are you're aware of the competitive advantage of committing resources to innovation. What many do not take advantage of, however, are the government tax credit programs available to reduce their costs.

Why? Research done by the practitioners at Grant Thornton LLP reveals many businesses like yours simply aren't aware the scientific research & experimental development (SR&ED) tax credit program exists, and if they are aware, many don't think they qualify.

To help you determine if your business qualifies, Grant Thornton offers you the information and services needed to ensure your business is making the most out of its innovation.

# SR&ED tax incentives are available to **all businesses,** **in all industry sectors**

## **What is the SR&ED program?**

The scientific research & experimental development (SR&ED) program is a tax incentive program offered by the Canadian federal government to encourage and support Canadian innovation. The SR&ED program represents the most significant source of federal government support for research and development undertaken by businesses in Canada. SR&ED tax incentives are available to all businesses, in all industry sectors, for qualifying research and development activities that lead to technological advancements resulting in new or improved products, processes, devices or materials.

Under the SR&ED program, the federal government offers tax incentives in the form of refundable and non-refundable tax credits ranging from 20-35% of qualifying expenditures. In addition, most provinces offer their own tax incentives to assist those performing SR&ED work in an effort to ensure this type of work stays in Canada and in their particular province. The rules for claiming these tax incentives, however, are very complex.

## **Who qualifies?**

Generally a Canadian-controlled private corporation (CCPC) with taxable income in the immediately preceding year that does not exceed the business limit (currently \$400,000) can earn a refundable investment tax credit (ITC) - 35% on the first \$2 million of qualified expenditures and 20% on any excess amount, which is partially refundable. All other corporations, including foreign controlled or publicly owned, proprietorships, partnerships and trusts, can earn an ITC of 20% of qualified expenditures, which are non-refundable, but may be used to reduce any current taxes payable, or carry the ITC's back three years or forward up to 20 years. The ITC earned by a proprietorship or certain trusts may

be partially refunded after applying these tax credits against taxes payable. Provincial benefits vary by province.

## **What projects qualify as an SR&ED tax credit?**

There are many obvious examples of SR&ED claims for work in pure research and development; however, many organizations are performing qualifying SR&ED work without even realizing it. In order to qualify for SR&ED tax credits you must satisfy three specific criteria: technological uncertainty, systematic investigation, and technological advancement. This means if you develop a new or improved process, product, device or material that incorporates a technological advancement, you may qualify for these credits. This ideally will allow a company to take risks, confident in the fact that even if the new or improved process, product or device is not successful, the tax credit is still available.

This sort of work is often being done in many organizations, so it's easy to understand that this tax credit is available to more companies in Canada than are actually claiming the tax credits. In fact the Canadian Manufacturers & Exporters' *Management Issues Survey* (2006-2007) found, "a full 40% of the companies that do not use the tax credits say they are not aware of the program or of the benefits to them".

## **What can this do for your business?**

The SR&ED tax credit can provide much needed cash, usually in a timely manner. If you consider a firm that operates successfully but on a very small margin, SR&ED tax credits can produce some extremely beneficial results to shareholders and also allow for substantial reinvestment in a business.

To make sure you are claiming all the SR&ED tax credits your business is entitled to, Grant Thornton can help your business not only determine if it is eligible to claim SR&ED tax credits, but also to maximize your tax credit opportunities. By simply implementing some careful planning and processes designed by Grant Thornton specifically for your company, SR&ED claims can be handled more easily by capturing the pertinent information for each claim while that project is ongoing.



### **I'm really busy. Can I get to this later?**

Yes, but not too much later. The tax filing deadline is 18 months after the company's year end in which the SR&ED expenditures were incurred. Once this deadline is passed, there is no ability to go back and make that claim. It is generally easier to make a claim as close as possible to the time the actual work was done, as the backup documents and paperwork needed for filing the claim are more readily available.

### **Will making a claim for SR&ED tax credits take a lot of time?**

Making an SR&ED claim always takes up a large amount of time and energy if you try to do it yourself. Simply put, it can be a difficult process, particularly in the first year or two. By using the team at Grant Thornton, your business will benefit from a highly trained team of practitioners, engineers and scientists to help your company deal with the administrative and technical requirements that are needed to properly maximize the tax incentives for which your company may be eligible. With best practices experience, our professionals have the ability to gather the information needed with minimal disruption to your current staff and processes. We also work to educate your staff and put a process in place to make sure that future year claims are better understood and documented to enable you and your staff to better capture future expenditures linked to SR&ED.

### **What is the first step?**

To find out whether you qualify or whether you are making the most out of your SR&ED tax credits, simply give your local Grant Thornton adviser a call. When you do, we will spend some time with you to determine if there is a strong likelihood that you have a legitimate claim. Once this is determined, we can help you take the steps necessary to maximize your SR&ED claim while minimizing your time.

### **Who is Grant Thornton?**

Grant Thornton LLP is one of Canada's largest accounting and consulting firms focused on serving entrepreneurial organizations. Our team of dedicated practitioners offers a full range of services, including audit, tax, productivity improvement, business and financial advice and more. With offices from coast to coast, and access to a network of member firms worldwide, rest assured you'll be receiving a wealth of experience with the professionals at Grant Thornton.

### **What makes us different?**

Grant Thornton has a real strength in working with clients in almost any sector. Why? Like our clients, we are entrepreneurial in how we do business. Not only do all our practitioners commit to ongoing sector specific training, our integrated, team-based approach means your business benefits from the result of Results-Driven Advice™. Our commitment to regular interaction with clients is why Grant Thornton has many long-term relationships, and the reason why many business owners turn to us to better position their business for success everyday. For more information, please see our website [www.GrantThornton.ca](http://www.GrantThornton.ca) for a list of all our offices across Canada.

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