

SR&ED claimants: Significant upcoming changes you need to know about

New form and reporting guidelines soon available

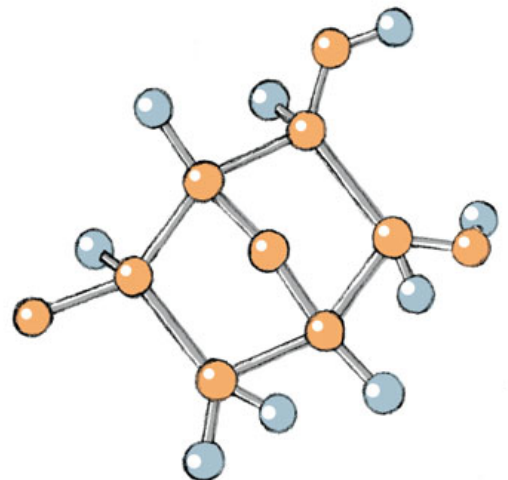
The 2008 federal budget included a number of enhancements to the Scientific Research and Experimental Development (SR&ED) program to increase your company's ability to claim investment tax credits (ITCs). These changes include

- an increase, from \$2 million to \$3 million, in the maximum qualified expenditures limit on which the enhanced ITC rate of 35% applies to Canadian-controlled private corporations (CCPCs);
- an increase in the upper limit of the phase-out range for the expenditure limit in respect of prior-year taxable income from \$600,000 to \$700,000; and
- an increase in the upper limit of the phase-out range for the expenditure limit in respect of prior-year taxable capital employed in Canada from \$15,000,000 to \$50,000,000.

In addition, subject to certain limits, you can now claim SR&ED ITCs for salaries or wages you incur for SR&ED carried on outside Canada.

More details on these measures can be found in our [2008 Federal budget highlights](http://www.grantthornton.ca/insights/budget_analyses) publication at http://www.grantthornton.ca/insights/budget_analyses.

The 2008 budget documents also commented on some proposed administrative improvements to the SR&ED tax incentive program. These improvements were based on consultations undertaken in 2007 on ways to make the SR&ED program more effective for Canadian businesses.



New prescribed form T661, claim for SR&ED carried out in Canada

One of the key administrative challenges identified by stakeholders was the need for more predictability and consistency in the filing and assessing of claims. In recognition of this, the Canada Revenue Agency (CRA) will soon introduce a new Form T661 SR&ED claim form and guide, simplified program information circulars, more unified and consistent presentation material, as well as an eligibility self-assessment tool. The new Form T661 will change how you make and report claims, and will introduce new documentation requirements.

Although the form and guide are not yet available, the key changes are expected to be as follows:

- 1 Access to e-filing for technical descriptions: Revised Form T661 will provide for electronic formatting of the required technical descriptions so that separate manual submissions will no longer be required if you e-file your corporate returns. On the other hand, you will need to file Form T661 for all projects, compared to the current requirement of filing only the top 20 project descriptions.
- 2 Limited number of words: The new prescribed form will require that each technical description comprises a limited number of words. It will not allow more than 350 words for each of the technological advancement and technological uncertainty sections, whereas the description of work section will be limited to 700 words. We expect that this is the change that will cause you the greatest concern.

- 3 New format and instructions: A number of new terms will be introduced, and some of the sections A-E from the previous version of the form will likely be either removed or reworded. The form will be accompanied by a new guide, as well as a checklist of prescribed information to ensure the company understands the CRA requirements. There will also likely be greater linkage between technical and financial claim data, and a larger section of short-answer type questions with multiple choice answers.

The new form T661 is expected to apply to all fiscal years ending on or after January 1, 2009. We expect that the new form will help you communicate your project details to CRA and aid with program consistency. However, considering that this is a prescribed form, you will need to take special care to ensure that you complete all parts properly so that your claim is accepted without major adjustments or delays.

Our tax specialists will be reviewing this new form as soon as it is available and will be providing additional commentary to assist you with the filing process. We will also post links to all CRA documents on our [Web site](#) as soon as they are published.

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