

SR&ED Project Definition

“An SR&ED project consists of a set

of **interrelated activities** that meet

the **three criteria** of SR&ED”⁵

Technological Advancement

“Achieving a **technological advance** would require removing the element of **technological uncertainty** through a process of **systematic investigation** ...

For an experimental development activity to be eligible the **technological advance** achieved **has only to be slight.**”⁶

“The search for a meaningful **advance** ... is satisfied whether or not the activity is successful.

In other words, **determining** that a **hypothesis incorrect** also represents a scientific or technological advance.”⁷



Qualified SR&ED Costs & Credits

-Wages -Materials --Contractors -Overhead - Equipment

Corporation Type	Ontario Credit	Federal Credit	Total
Qualified Private Co.	10%	31.50%	41.50%
Large Foreign or Public Co.	10% (in some cases)	20%	20-28%

SR&ED is defined for income tax purposes:⁷

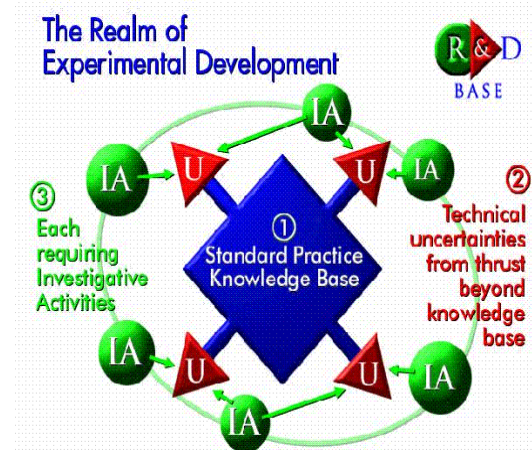
“Scientific research & experimental development means

- **systematic investigation** or search that is carried out in a field of science or technology by means of **experiment or analysis** that is , (a) basic research, ... (b) applied research,or
- (c) **experimental development**, namely, work undertaken for the **purpose** of achieving **technological advancement** for the purpose of creating new, or improving existing, materials, devices, products or processes, **including incremental improvements** thereto,....”

7. in subsection 248(1) of the Income Tax Act



Simplifying the SR&ED Tax Credit Program



Documenting an SR&ED Tax Credit Project in 3 Easy Steps

www.rdbase.net

5. Excerpts from CRA form T408 guide to completing an SR&ED claim

6. Excerpt from CRA IC 86-4R3 paragraph 2.12

7. Excerpt from CRA IC 86-4R3 paragraph 2.13

Step 1: Define Standard Practice



“Commonly available sources of knowledge or experience are those that can reasonably be assumed to be **readily available to those with basic training or experience in the field of concern**. These resources enable them to be sufficiently **qualified to participate** in SR&ED.

They also include knowledge that is available in the **business context** of the firm.... An enterprise may not have **practical access** to information proprietary to a competitor, or known in specialist or academic circles.”¹

“Essentially, the **presence of a technological uncertainty puts the project into the realm of experimental development** when solutions cannot be based on standard practice alone. A claim for qualifying expenditures should clearly explain all **departures from standard practice**.”²

1. CRA IC 86-4R3 glossary

2. CRA IC 86-4R3 paragraphs 4.3 & 4.4

Step 2: Define Technological Uncertainties



“**Scientific or technological uncertainty** :
Scientific uncertainty

Whether the goals can be achieved at all

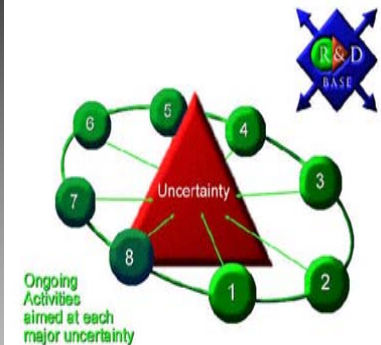
System uncertainty

Work on **combining** standard technologies, devices, &/or processes is **eligible if** non-trivial combinations of established technologies & **principles for their integration carry a major element of technological uncertainty**; this may be called a "system uncertainty.

The taxpayer may be confident the goals can be achieved, but **uncertain which of several alternatives** (i.e., **paths, routes, approaches, equipment configurations, system architectures, circuit techniques, etc.**) will either work at all, or be feasible to meet the desired **specifications or cost targets**, or both of these...”

3. CRA IC 86-4R3 paragraph 2.10.2

Step 3: Describe related Activities



Ongoing Activities aimed at each major uncertainty

The CRA requires work to be **supervised by personnel with appropriate technical backgrounds** and clarifies that in describing activities performed;

“It **must demonstrate the presence of analysis or experiment** in the methodology you used to carry out the work. It must also include the results you obtained **and the conclusions you made**.

For example, the types of technical **records that are appropriate** to support your claim are: an analysis of the problem, internal design documents and drawings, test data and results, & progress reports.”⁴

4. Excerpt from CRA form T4088 – Guide to form T661