

SR&ED Project Definition

“An SR&ED project consists of a set of interrelated activities that meet the three criteria of SR&ED ”

Technological Advancement

“Scientific or technological advancement is the generation of information or the discovery of knowledge that advances the understanding of scientific relations or technology. ...

If ... process optimization efforts do not face and address one or more clearly articulated technological uncertainties, then they are not experimental development. ”

“The rejection of a hypothesis is advancement because it eliminates a possible solution.

Hence, scientific or technological advancement can be achieved even if the project’s objectives are not met.”



Source: Excerpts from CRA Eligibility of Work for SR&ED Investment Tax Credits Policy Paper Dec. 19, 2012

Qualified SR&ED Costs & Credits

-Wages -Materials -Contractors -Overhead & Equipment

Corporation Type	Ontario Credit	Federal Credit	Total
Qualified Private Co.	10-14.5%	31.50%	44.50%
Large Foreign or Public Co.	4.5-14.5%	15-20%	31.50%

SR&ED is defined for income tax purposes:

“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

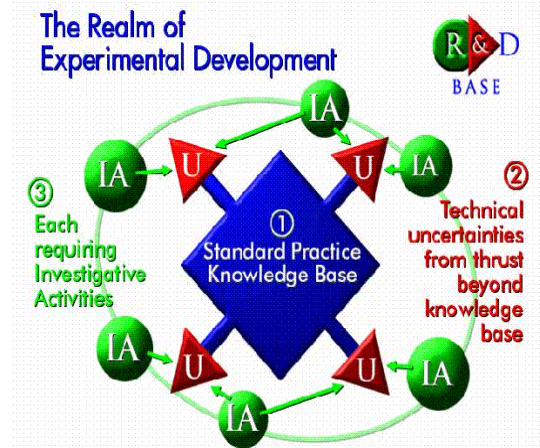
(c) **experimental development**, namely, work undertaken for the purpose of achieving **technological advancement** for the purpose of creating new, or improving existing, materials, devices, products or processes, including incremental improvements thereto,...

Source: in subsection 248(1) of the Income Tax Act

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Simplifying the SR&ED Tax Credit Program



Documenting an SR&ED Tax Credit Project in 3 Easy Steps
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Step 1: Define Standard Practice



The company is expected to have information that is common knowledge ... to professionals familiar with the specific areas of science or technology .

Technology base or level

Refers to the existing level of technology & consists of knowledge of technological resources within the company & sources available publicly **include:**

- **technical knowledge ...of its personnel;**
- **current products, techniques, methodologies (trade secrets & intellectual property).**
- **publicly available sources** ... publications, journals, textbooks, internet-based information & expertise ... through employees or contractors.

The technology base will vary from company to company even though the knowledge available publicly remains the same.

Step 2: Define Technological Uncertainties



“**Scientific or technological uncertainty** :

Scientific uncertainty

Whether a given result or objective can be achieved or ...

System uncertainty

what alternatives (for example, **paths, routes, approaches, equipment configurations, system architectures, or circuit techniques**) will enable the goals to be met based on the existing **technology base or level**.

Formulating a hypothesis

means an idea, consistent with known facts, that serves as a starting point for further investigation to prove or disprove that idea.”

Step 3: Describe related Activities



The **systematic investigation** or search in the definition of **SR&ED** is an approach that includes

- **defining a problem,**
- advancing a **hypothesis** towards resolving that problem,
- planning & **testing** the hypothesis
- by **experiment or analysis,** &
- developing logical **conclusions**
- based on the **results.**

An experiment is the test of a hypothesis under controlled conditions.

Analysis is the detailed examination of information to differentiate the **various parts of a whole**, determine their attributes, or **explain their relationships**. It is performed against the background of available knowledge and experience.