

RDBASE SR&ED Practitioner Meeting

October 13, 2016

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Agenda

- 2016-1: SR&ED Tax Cases
- 2016-2: SR&ED – AFP funding issues for Medical practitioners
- RDP article - Comparative of Canada vs. UK SR&ED credit administration
- Other issues

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SR&ED Newsletter 2016-1

SR&ED tax cases

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I - Recent SR&ED tax cases & related issue(s)

SR&ED TOPICAL AREA	APPELLANT	PRIMARY ISSUE	WIN / LOSS
Technological eligibility			
Software	1) ACSIS EHR	Work to increase stability	WIN
	2) Emotion	Search Engine Optimization	LOSS
	3) ITC Invoice to Cash Inc.	Use of process mining	LOSS
Financial issues			
Court fees	4) ACSIS EHR	Reimbursement of legal fees	WIN
Unpaid SR&ED wages	5) Jaft	Wages owing only if SR&ED eligible	LOSS
Late filing	6) Easy Way Cattle	Failure to file sch 31	LOSS

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SR&ED cases – TECHNOLOGY

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1-AC SIS EHR - Software (increase stability)

Facts:

- Adapt its existing EHR technology to overcome Belize infrastructure challenges

Issue(s):

- Evidence of advancement & systematic investigation

Relevant legislation and analysis:

- ITA 37 & 248(1)

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Analysis

- Available open source replication solutions different purposes & connectivity structures
- how to exchange to other nodes > changes queued from extended dis-connectivity
- Approaches had to be formulated to
 - transport data
 - preserve & merge changes to records
 - multiple databases
 - multiple locations
 - frequent interruptions

Ruling & Rationale

- WIN – No open source solutions
- According to the judge;
 - “Since an appropriate replication solution was not available,
 - undertook experimental development
 - to create technology
 - mimic stable communications infrastructure.”

Long term implications

- lack of detail on specific activities
- Minor to moderate significance

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ACSIS EHR - Software Sample project outline

1501 - Software - TAX CASE (ACSIS)	
BENCHMARKS	ACTIVITIES BY YEAR
Internet searches: 20 Articles	2015
Competitive products or processes: 10 products	'1-1
	Activity 1
OBJECTIVES	RESULTS
CPU Hardware limitations: 100 MHz	150
Fault tolerance: 99.5 %	99
UNCERTAINTIES & KEY VARIABLES	CONCLUSIONS
1- Technological uncertainty	
node and master behaviour	Y
sequences and subscriptions	Y
	METHODS
Analysis	450
Trials	19
Prototypes	
Lines of code	
	COSTS
Hours	1200
Materials \$	
Subcontractor \$	

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Notable quote:

“We're still in the first minutes of the first day of the Internet revolution.”

- Scott Cook

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2 - EMOTION – eligibility of SEO related work- LOSS

Facts:

- division named Rank Higher
- methods to optimize webpage designs
- retrieval & ranking in search engines
- several years of prior SR&ED claims
- informal Procedure 2012
 - federal ITCs of \$51,196
 - limited claim to \$25,000

PROJECT OBJECTIVES

To create;

- data structures to rank key words on first page
- methods indexing & optimizing data
- through various search engines

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ISSUES: TECHNOLOGICAL UNCERTAINTY

- identify & evaluate > 200 contributing variables in Google algorithms to
 - structure data for
 - indexing pages in accordance with
 - key words searched

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RESULTANT TECHNOLOGICAL ADVANCEMENT – page indexing

- propose most effective structure of data for indexing
- search engine companies to optimize their algorithms
- to more effectively use the 200+ factors in the algorithm;
- in effect, extending the knowledge about search engine algorithms for indexing pages.

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SR&ED ACTIVITIES

- acquired Google Search Appliance
- tested how classifies data & breaks it into collections
- covered other search engines as well
 - Bing & Yahoo
- experiments used similar language in different formats
 - in one experiment 25 websites created
 - how data could be more efficiently organized for optimal retrieval.

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CRA argued

- **One has to know the underlying technologies used by search engines to address these uncertainties.**
- **search engines constantly change algorithms**
- claimant acknowledged does **not know methods**
- **fact intellectual property search engines not shared**
- **not a technological uncertainty / obstacle.**

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CRA argued

- **to identify undisclosed intellectual property**
- search algorithms not technological advancement
- **trial & error process**
 - **cannot be consistently repeated & verified**
 - **engine operators changing algorithms**

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Summary of positions

- Emotion maintains
 - hypothesis for identifying & ranking variables lead to
 - conclusions on optimal methods to structure data
- The CRA
 - not Emotion, but search engine companies
 - (Google or Yahoo) created the technology
 - Emotion relied on technology conduct market research
 - just sorting the data

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JUDGE'S ANALYSIS

2 areas of analysis:

- Technological uncertainties
- &
- Technological advancement

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Issue #1 - Uncertainty

- how on-page & off-page variables interrelate to determine ranking &
- how to structure data to improve ranking.

Certainly, I would consider this in the nature of applied research, but is this type of uncertainty one that, citing Northwest Hydraulics, "**cannot be removed by routine engineering or standard procedures?**"

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JUDGE'S RULING

- submitting different versions of websites to
 - determine significance of variables
 - relies on existing technology
 - in a routine manner.
- As explained in Northwest Hydraulics,
 - "routine" describes techniques, procedures & data generally available to competent professionals in the field &
 - how I interpret what Emotion did.

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Issue #2 - Advancement

Advancement = determination of algorithms that relate variables for ranking sites.

- no doubt complicated – 100's or 1000's variables
 - solving equation someone already solved
 - rather than new proof

Mousetrap analogy

- not creating better mousetrap
- just figuring out why mice caught
 - location, nature of enticement, etc.

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JUDGE'S RULING - LOSS

- Do not see technological advancement
 - extensive but **routine research**

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Implications – “repeatability”

- Search Engine Optimization (SEO)
 - no longer SR&ED
- rationale = Google / search engine creators can arbitrarily change methods
- knowledge of procedures not “science”
- judges rational confusing (routine research)
- net result = claims with “reliance on”
 - closed source components including
 - virtually all SEO activities now ineligible.

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Implications – CRA vs. court as source of direction

In author's opinion

- CRA arguments more informed judge's;
 - Work can use standard engineering methods as long as outcome uncertain
 - Reliance on closed source technologies source of denial (per CRA)
- Represents a new position (2012) never published until enacted on taxpayers

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Notable quote:

"You affect the world by what you browse."

- Tom Berners Lee

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3 - ITC INVOICE TO CASH INC – Software (interoperability)

Facts:

- The Appellant claimed federal ITCs of \$32,425 &
- elected Informal Procedure (\$25,000).
- claimed objectives & areas of uncertainty understanding
 - structure of data
 - third party software vendor.

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Issue(s):

- Advancement & systematic investigation

Relevant legislation and analysis:

- ITA 37 & 248(1)
- Claimant admitted technique of process mining available 2008
- CRA expert witness
 - techniques existed in 2007 &
 - information publicly available.

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Ruling & Rationale

The judge stated;

- "agree that amalgam different techniques may constitute technological advancement,
- only so where a new technique is created
- that has never been previously used in that particular industry.
- Based on the evidence adduced ... activities ... routine engineering or standard procedures."

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Long term implications – due diligence / prior art comparison

- confirms
 - combinations of different techniques
 - could lead to technological advancement
- requires > comparison existing techniques & knowledge

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Lessons on technology issues – 3 software cases

- Courts are focussing on definitions of
 - existing knowledge,
 - standard practice,
 - prior art,
- Due diligence searches more formalized

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Notable quote:

“If you’re too open-minded, your brains will fall out.”

- Lawrence Ferlinghetti

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SR&ED cases – FINANCIAL

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4 -AC SIS – increase in legal fee reimbursement to 95% - WIN

Facts:

- filed Motion to increase cost award from 50% to 100%

Issue(s):

- circumstances to award full legal costs?

Relevant legislation and analysis:

- Tax Court of Canada Rules (General Procedure) Rule 147 &
- Tax Court of Canada Act

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- 147 (3) In exercising its discretionary power pursuant to subsection (1) the Court may consider,
 - (a) the result of the proceeding,
 - (b) the amounts in issue,
 - (c) the importance of the issues,
 - (d) any offer of settlement made in writing,
 - (e) the volume of work,
 - (f) the complexity of the issues,
 - (g) the conduct of any party that tended to shorten or to lengthen unnecessarily the duration of the proceeding,

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- (h) the denial or the neglect or refusal of any party to admit anything that should have been admitted,
- (i) whether any stage in the proceedings was,
 - (i) improper, vexatious, or unnecessary, or
 - (ii) taken through negligence, mistake or excessive caution,
- (i.1) whether the expense required to have an expert witness give evidence was justified ... and
- (j) **any other matter relevant** to the question of costs

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Ruling & Rationale

The judge concluded,

- “award of 95 percent invoiced fees ...reasonable ... based primarily on
- Appellant’s willingness to negotiate settlement
 - the reasonableness of those proposals,
- Respondent’s refusal to participate in settlement negotiation process &
- the eventual success of the Appellant’s appeal.”

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Long term implications

- despite weaknesses in evidence
- case illustrates benefits of a tax court level “appeal” to (informal or general)
- issues that cannot be resolved at the CRA “objection” level

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Notable quote:

“What is research but a blind date with knowledge?”

- Will Harvey

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5 - Jaft – Wages owing only if SR&ED eligible - LOSS

Facts:

- 3 employees “development agreement”
- compensation linked to SR&ED claim
- reduced if SR&ED reduced
- Salaries initially unpaid but
 - claimed for SR&ED as future contingent liability
 - avoid liability employee source deductions

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Facts:

- CRA advised salaries for SR&ED could not be contingent payments
- As a result, JAFT
 - in difficult financial circumstances
 - paid 2005 & 2006 salaries & employees lent back
- CRA assessed JAFT & directors for unpaid employee source deductions

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Issue(s):

- Could we achieve objectives
 - not paying taxes until SR&ED wages approved
 - using existing income tax act rules?

Relevant legislation and analysis:

- Applied under provincial legislation (Manitoba) to have employment contracts & related salaries rescinded
- could have effect of over-riding federal income tax legislation

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Ruling & Rationale

The judge ruled,

- “This is a matter for the Tax Court,with expertise in tax matters.
- contrary principle judicial economy as,
 - outcome of Queen's Bench (provincial) appeal
 - must still be heard by Tax Court...”

Long term implications

- CRA's position (UNPAID Wages) “semi-correct”
- taxpayer could achieve similar objectives

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SR&ED - UNPAID WAGES

- In fact the SR&ED legislation contemplates unpaid amounts for SR&ED.
- CRA position
 - Incompetent vs. Malicious?
- Legislation & planning opportunities have been discussed n
 - SR&ED Newsletter 2004-1 (PDF) or
 - watch video

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Notable quote:

Research is what I'm doing when I don't know what I'm doing.”

- Wernher von Braun

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6 - Easy Way Cattle – Failure to file schedule 31 - LOSS

Facts:

- filed the SR&ED form (schedule 32)
 - which contained all required cost information by the 18 month corporate filing deadline.

• did not file sch 31 (ITC calculation) deadline
Issue(s):

- Should company be eligible for ITC's if all SR&ED tax forms not filed by deadline?

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Relevant legislation and analysis:

- ITA: 127(5 & 9), 244(16) & 248(1)
- Appellant argued
 - Sch 31 not prescribed form &
 - even if it was sch 32 already provided all prescribed information.
- Respondent argued
 - Schedule 31 is the prescribed form which must be filed
 - definition of investment tax credit in subsection 127(9)(m).

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- Filing requirement – SR&ED credits 127(9)(m) - denies the **investment tax credit** for the claims if

- “the taxpayer does not file with the Minister a **prescribed form containing prescribed information in respect of the amount** on or before the day that is one year after the taxpayer's filing-due date for the particular year;”

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Ruling & Rationale

The judge stated,

- “I agree ... for the definition of an ITC in subsection 127(9) of the Act,
 - Schedule T2SCH31, Investment Tax Credit–Corporations,
 - is the prescribed form for corporations.”

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Long term implications

- Since the Act specifies a prescribed form for **each** of the sections related to costs (37) & credits (127) it seems reasonable to assume that each would be required
- Arguable other forms “prescribed” in certain circumstances
 - non-arm’s length expenses (T-1145, T-1146)
 - specified employee wages (T-1147)
- Illustrates risks filing > 15 months year end

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Notable quote:

“The internet is just a fad.”

- Bill Gates

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2016-2: Medical research – CRA APP funds as grants

Facts:

- Many physicians in Canada paid via an
 - Alternate: Payment Plan (APP) or Funding Plan (AFP).
- Common for specialists at University research hospitals
 - particularly where time / patient unpredictable
- Usually fixed amount contract stating
 - 20-40% for administrative, teaching & research responsibilities.
- hospitals often unwilling to provide detailed breakdowns to researchers

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Issues:

- CRA treating AFP/APP’s “government assistance” for SR&ED
- Example assume 25% stated in contract
- Options for treatment – reduce claim by
 - a) full 25% of physician SR&ED wages,
 - b) 0-25%,
 - c) 0%?

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Legislation & CRA directives

Income Tax Act 127(9)

- Government assistance
 - “assistance from a government, municipality, or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance, or **any other form of assistance** other than the federal investment tax credit (ITC).”

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☀ Assistance receivable

- The tax legislation (127(18)) applies to reduce qualified expenditures of a taxpayer by any government assistance. It applies when,
 - “on or before the filing due date for a taxation year ...
 - taxpayer has received, is entitled to receive, or can reasonably expect to receive...
 - **assistance that can reasonably be considered in respect of SR&ED.”**

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CRA - Assistance & Contract Payments policy paper December 18, 2012

4.3.2 Qualified SR&ED expenditures

- ☀ reduced by **any assistance... reasonably be** considered in respect of the SR&ED
- ☀ assistance non-qualifying expenditures **will also reduce** qualified SR&ED where
 - assistance **agreement does not distinguish**
 - payments **eligible & non-eligible** activities

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Analysis

- ☀ If “assistance agreement” does not provide a breakdown
 - CRA approach
 - reduce SR&ED claim by 25% SR&ED wages
- ☀ Legislation only requires “reasonable” allocations to research.

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Implications and author's commentary

- ☀ What are sources of reasonable allocations
- ☀ Author's experience - some hospitals willing to provide information & others not
- ☀ If CRA continues to enforce this position
 - in interest of each research hospital
 - to provide R&D vs. non-R&D costs
 - to research staff.

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Notable quote:

“Art is made to disturb, science reassures.”

- Georges Braque

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SR&ED Newsletter 2016-2 – Issues with Medical claims

Medical research – CRA focus on APP	
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Status of current CRA position unclear	7
Ontario District initiative?	7
Need for national direction	7

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Medical research – CRA focus on APP funds as grants

Facts:

- Many physicians paid through an alternate payment plan (APP) or funding plan (AFP).
- common for specialists particularly where time / patient not predictable
- APP usually fixed payment stipulating 20-40% for administrative, teaching & research
- details often unavailable / hospitals unwilling to provide

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Issues:

- CRA suggesting APP's "government assistance" for SR&ED claims.
- Example: assume 25% of total earning APP for admin., teaching & research
- Options for treatment – reduce claim by
 - - full 25% of physician wages,
 - - 0-25%,
 - - 0%?

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Legislation & CRA directives:

Income Tax Act

- Government assistance
 - "assistance from a government, municipality, or other public authority whether as a grant, subsidy, forgivable loan, deduction from tax, investment allowance, or any other form of assistance other than the federal investment tax credit (ITC)."

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Income Tax Act

- Assistance receivable
 - "on or before the filing due date for a taxation year ... the taxpayer has received, is entitled to receive, or can reasonably expect to receive ... assistance that can **reasonably be considered in respect of SR&ED.**"

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CRA - Assistance & Contract Payments Policy

4.3.2 Qualified SR&ED expenditures

- Qualified SR&ED expenditures are reduced by **any assistance ... that can reasonably be considered** to be in respect of the SR&ED.
- **assistance** and contract payments in **respect of non-qualifying** expenditures relating to the SR&ED will also reduce the qualified SR&ED expenditures where the assistance **agreement does not distinguish** payments for eligible activities and costs from payments for non-eligible activities and costs.

Analysis

- If the "assistance agreement" does not provide a breakdown the CRA's approach would be to reduce the SR&ED claim by 25% of the SR&ED wages.
- The legislation only requires reasonable allocations to research.

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CRA Statement I: “directly undertaken”

In assessing the claim for wages paid to Dr. X in his MPC the CRA stated,

- “We have determined that the specified wages claimed were not incurred for scientific research and experimental development **“directly undertaken by the taxpayer”** nor was it for work **“directly undertaken on behalf of the taxpayer”** as required under Paragraph 37(1) (a) and Subparagraph 37(1) (a) (i) of the Income Tax Act (ITA).

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CRA Statement I: “directly undertaken”

In assessing the claim for wages paid to Dr. X in his MPC the CRA stated,

- “We have determined that the specified wages claimed were not incurred for scientific research and experimental development **“directly undertaken by the taxpayer”** nor was it for work **“directly undertaken on behalf of the taxpayer”** as required under Paragraph 37(1) (a) and Subparagraph 37(1) (a) (i) of the Income Tax Act (ITA).

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Table 1: Sources of income for Medical Specialists

Payor	OHIP & AFP/APP	Ontario University
Recipient	Dr. X Medicine Professional Corporation	Dr. X
Type of taxpayer	Ontario Corp. - Dec 31 year end	Individual - Dec 31 year end
Type of income	T2 - corporate (OHIP + AFP payments)	T1 - personal
Nature of work	Testing of hypotheses via medical practice	Academic research
SR&ED claim	Yes	No

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Practitioner Workshop Oct. 13, 2016

Legislation

- Income tax act “SR&ED” (248(1))
 - “Scientific research and experimental development... includes ... d) engineering, design, operations research, **mathematical analysis**, computer programming, **data collection, testing** or psychological research, where the work is **commensurate with the needs**, and directly in support, of....”

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Legislation

- Income tax act “Directly undertaken” (37(1))
 - “...there may be deducted ... all amounts each of which is an expenditure .. on scientific research and experimental development related to a business of the taxpayer, **carried on in Canada and directly undertaken by the taxpayer**, ...

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CRA SR&ED Salary or Wages Policy – Dec. 18, 2014, section 7.1

Meaning of “directly engaged”

- “Directly engaged in SR&ED – ... based on the tasks .. not job title of the employee.
- refers to “hands-on” work,... paragraphs (a) to (d) ...definition of SR&ED ...Tax Act.”
- Generally, employees, including managers and supervisors, conducting experimentation and analysis in the performance of basic research, applied research, or experimental development are considered to be directly engaged in SR&ED.”

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Issue & Analysis

- Are doctor's wages "directly undertaken?"
 - term "directly undertaken" not defined ITA or related CRA documents.
 - propose CRA term "directly engaged"
 - Dr. X was one of the principal investigators both with the university and in clinical testing in his professional practice.
 - As such he was "directly engaged" in both design & related testing.
 - Only wages paid by professional practice have been claimed in the SR&ED claim.

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Entitlement to Exploit – has the concept been removed?

Canada Customs and Revenue Agency / Agence des douanes et du revenu du Canada
 NO.: IT-151RS DATE: October 17, 2000
 SUBJECT: INCOME TAX ACT
 Scientific Research and Experimental Development Expenditures

Entitlement to Exploit the Results

¶ 37. The determination of whether a taxpayer is "entitled to exploit the results" of SR&ED is a question of fact that can only be determined on a case-by-case basis. For example, this requirement is considered to be met in cases where the taxpayer has the right to use a patent that results from the SR&ED project even if the taxpayer is charged a royalty or similar fee for the use of the patent. This requirement is also considered to be met in cases where the taxpayer is entitled to distribute and market any product that results from the SR&ED project.

In addition, when a taxpayer makes a payment for SR&ED to a corporation described in subparagraph 37(1)(o)(i) or to an approved university or other entity described in subparagraph 37(1)(o)(ii) and it is likely that the SR&ED project will not result in a product or patent, the taxpayer will be considered to have met this requirement if it can be established that the taxpayer has, as a consequence of the payment, been granted a preferential right to use the results of the SR&ED in its business.

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Conclusions

- Are doctor's wages "directly undertaken?"
- As illustrated in table 1 there are often 2 sources of income for Medical Specialists. The CRA's position is in fact
 - applying the income of another legal entity (the Doctor as a person)
 - to the work performed by the corporation.

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CRA Statement II: "All AFP or surgical funding SR&ED assistance"

CRA stated,

- "The doctor being a member of the Department of W AFP Practice Plan is receiving \$X of AFP academic funding from the Government of Ontario, as well as receiving \$Y of surgical repair funding.
- These amounts ... considered Government Assistance ... per subsection 127(18) of the ITA."

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Legislation

- Income tax act "Reduction of qualified expenditures" (127(18))
 - "Where ... taxpayer has received, is entitled to receive or can reasonably be expected to receive a particular amount that is government assistance, non-government assistance or a contract payment that can reasonably be considered to be in respect of scientific research and experimental development, ...

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AFP Practice Models – purpose & variations

Ontario HealthForceOntario
 Specialist Practice Models
 Compensation Options
 Specialists in Ontario may be compensated through a fee for service system or through an Alternative Funding Plan (AFP) or Alternative Payment Plan (APP). AFPs/APPs are contractual arrangements between the Ministry of Health and Long-Term Care and a group of physicians, and may include other organizations such as hospitals and universities. Some AFPs/APPs also include funding for teaching and research.
 These agreements provide flexibility in practice, encourage coordination and integration of medical services, and stabilize compensation for highly specialized groups, specialists and sub-specialists. AFPs/APPs have become more attractive and desirable to many physicians seeking a more balanced working life, regular hours, and acknowledgement of patient acuity, geographical challenges and financial security.
 Over the years, a variety of compensation models have been developed and used by AFPs/APPs. Presently, most agreements are limited models that combine a base rate, income/percentage payments and possibly a fee-for-service component payment. There are several remuneration methods:
 • Global/Block funding based on specific services or locations
 • Blended funding models that include a base payment for clinical services, teaching, research, administration or indirect services plus a percentage payments, which could be based on a percentage of the value of fee-for-service billing
 • Bed utilization rate
 • Sessional payment plus fee-for-service billing
 AFP/APP Models
 There are a variety of models used to cover:
 • Specific communities and underserved specialists
 • Individual departments in a single hospital
 • Entire services of all physicians at a single hospital
 • Services of all full-time specialists at an academic health science centre
 • Province-wide groupings: oncology, radiation oncology and medical oncology services
 • Emergency services in hospitals, specialist services in the north
 • Specialists and subspecialists associated with academic health science centres
 • Regional trauma hospitals to ensure the 24-hour availability of high-level care for patients with serious trauma (Trauma Team Leader global funding agreements)
 • Academic health science centres, for clinical services, education and research
 • Services such as perinatology, the Regional Surgical Network, neurosurgery/neurology and anaesthesia in northern regions
 For more information, read the Ministry's Resource Manual for Physicians.

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Author's summary / opinions

- 1) Need for disclosure of SR&ED portion
 - Many uses of funds,
 - Many require breakdown of research / AFP approved by every member however,
 - procedure seldom followed.
 - Nature of AFP model
 - strong argument that none, or perhaps only a minimal amount AFP funding
 - directly related to SR&ED.

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Author's summary / opinions

- 2) Status of current CRA position unclear Ontario District initiative?
 - As of October 7, 2016 there appears to be no federal detail on this policy & the initiative appear to be started by one of more CRA district offices in the Greater Toronto area.
- Need for national direction
 - disconcerting changes announced to claimants directly instead of usual SR&ED stakeholder process.

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Recommendations

1) Improve reporting by hospitals

- If hospitals begin to
 - - report the "research" component
 - - of any AFP funding
 - - should resolve "assistance" issue

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Recommendations

2) Improve CRA Guidance – federally

- Need for more direction by
 - - CRA SR&ED "policy officers" in Ottawa
 - - via the stakeholder process vs.
- - SR&ED policy initiatives designed by
- - field level "compliance" officers.

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Notable quote:

"It isn't the mountains ahead to climb that wear you out; it's the pebble in your shoe."

- Muhamad Ali

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Comparison of UK vs. Canada SR&ED policies

- Recent article
- Brian Cookson, RDP to present

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- Run RDP presentation then return

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SR&ED ISSUES - Not Addressed in Newsletters

Issues raised by participants

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- The Ontario Innovation Tax Credit will be reduced from 10% to 8% effective June 1, 2016

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Recording CRA meetings?

- CRA's policy – meetings not to be recorded.
- If a claimant insists, the reviewer instructed to leave the meeting
- Rationale: "risk of casual remark being misinterpreted"
- Legality: Criminal code vs. privacy issues

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Status of CRA Objections vs. Tax Court appeals

- Average time CRA objection (> 2 years)
- Tax court hearing 2-3 years
- CRA will often settle before TCC
- Result:
 - lack of formal judgments
 - even successful clients miss 1-2 claims

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Notable quote:

"Art is made to disturb, science reassures."

- Georges Braque

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CRA Red Book statistics – year ended Mar. 31, 2015

SR&ED claim intake	Year end Mar 31, 2015		Year end Mar 31, 2014		Variance	
	Claims	ITC's	Claims	ITC's	Claims	ITC's
Office						
National	23,137	\$ 3,856,342	25,312	\$ 4,361,819	-8.6%	-11.6%
Hamilton	3085	\$ 381,022	3492	\$ 571,217	-11.7%	-33.3%
Toronto	3854	\$ 607,852	4115	\$ 701,446	-6.3%	-13.3%
Toronto West	1329	\$ 260,569	1354	\$ 287,765	-1.8%	-9.5%
Ontario	8268	\$ 1,249,443	8961	\$ 1,560,428	-7.7%	-19.9%
Montreal	3379	\$ 790,398	3648	\$ 795,622	-7.4%	-0.7%

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Case for a New 3 billion dollar SR&ED Tax Credit Authority

Major Tech Group Calls for the Creation of an Independent Authority to manage Canada's \$3 billion SR&ED tax incentive program

September 23, 2016



Ottawa, ON, Canada: Canada's One Voice for Innovation Lobby Group has called on Navdeep Bains, Minister of Innovation, Science and Economic Development, in collaboration with Cabinet Ministers, to introduce an Independent Authority to manage the SR&ED tax incentives program.

The proposal for the Authority was outlined on Facebook Live by CRAA Sr. VP Russ Roberts, who led team of experts in the development of terms and conditions.



Listen to CRAA Sr. VP on Facebook Live: Advocacy update

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Responsibilities of the proposed Independent Authority for ICT

- review claims for SR&ED tax credits in the ICT sector
- certificates of eligibility at concept phase;
- onsite reviews as necessary;
- independent & timely redress processes;
- review claims for "digital innovation" & "innovation box" tax credits
- commercialization of successful innovations

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- require companies to benchmark current status & business model for innovation(s) & development
- issue certificates of eligibility at concept phase
- CRA still provide financial reviews
- report annually on the results of the programs, the evolutions and proposals for improvements.

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Requests for independent review body

- Ideas from UK?
- Other comments?

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