R&D Base demo

SR&ED INVESTMENT FILE

31-Dec-15

R&D Base demo
SR&ED INVESTMENT FILE INDEX
For the fiscal year ended: **December 31,2015**

R&D Base User List

R&D Base demo

Login Name	User Name	Email Address	Access Level	Last Login
admin@rdbasedemo	Administrator		Financial Management Administrator	04-Oct-2016 5:08 PM
demo@rdbasedemo	Demo User - read only		Demo	24-Aug-2016 9:05 AM
researcher@rdbasedemo	Primary Investigators	dsabina@rdbase.net	Researcher	24-Apr-2015 12:15 PM
Manager@rdbasedemo	R&D managers		Manager	17-Nov-2014 10:37 AM
cra@rdbasedemo	Canada Revenue Agency		CRA Reviewer	26-Nov-2012 5:38 AM
R&DConsultant@rdbasedemo	R&D Consultant	Consultant@SREDconsulting.com	Consultant	16-Feb-2014 3:42 PM

Employee List

Employee Name	Designations	T661 Class*	Employment Period		Practicing Since	Discipline
ADMINISTRATOR, RDBASE		C	2012-09-01	2015-09-02		
Einstein, Al	PhD.	A			1938	Physics
Frail, Debbie		A	2013-10-01			
Kilburn, Colin	BSc.	A			1995	
Newton, Isaac	MASc.	A			1974	Mechanical engineering
Nobel, Al	P.Eng.	A			1989	Chemical Engineering
Pasteur, Lou	BSc.	A			1996	Chemistry
Prototype line 1, Heating elements	PHD	D	2000-12-14		1985	Information Technology
Prototype Line 2, Motors	n/a	D				n/a
Rutter, John Nicholas	Master of Mathematics	A			2000	Computer science
Tesla, Nick	CET	B			2002	Electrical technology
Tuli, Raja	BASc.	A	2013-12-01		1988	Computer Engineering, 100+ patents held
Wierzbica CRA RTA, Ted	PhD	A	2013-11-01		1980	Metrology

* Definitions of T-661 employee classifications:

Class A	Scientists and engineers (B.Sc. Or equivalent)
Class B	Technologists and technicians (CET, etc.)
Class C	Non technical, administrative staff (CGA, etc.)
Class D	Other (e.g. prototype labor)

Subcontractors and Material Suppliers

R&D Base demo

Type	Name	HST	Province
Subcontractor	ABC Motor Engineers	888888888	ON
Subcontractor	S&H Holdings	91532 1547	ON
Subcontractor	University of Toronto	11111 111	ON
Subcontractor	Software Inc.	15482 6322	ON
Material	P&F Inc.		ON
Material	Motors R Us		ON
Material	Software Co.		ON
Subcontractor	123 consultants	77777 7777	CA

R&D Base demo
General Ledger Adjusting Journal Entries
December 31,2015

AJE #	WP Ref.					
1	**T-0**	DR	Investment Tax Credit recoverable	Current Ontario	73,248	
		DR	Investment Tax Credit recoverable	Non current CRA	-	
		DR	Investment Tax Credit recoverable	non-current Ontario	18,924	
		DR	Investment Tax Credit recoverable	Current CRA	197,350	
		CR	Capital assets			-
		CR	Tax Provision			289,522
			To recognize research and development related ITC's			
2	**T-0**	DR	Professional fees (SR&ED consultant	current	10,000	
		DR	Professional fees (CPA)	current	5,000	
		CR	Accounts payable	current		10,000
		CR	Accounts payable	current		5,000
			Total SR&ED fees:			15,000
			To recognize MEUK fees for SR&ED tax credit support services			

CICA Handbook section 3450 recommends that a note to the financial statements indicate the amount recognized for SR&ED investment tax credits in the current year and reduce the related research (current) or development (capital) expenses.

Potential note disclosure: Note X – Research & Development

Research and development costs incurred during the year and charged to expense amounted to $ 547,344 (prior year $XXX,XXX) and have been reduced by related investment tax credits of $ 0 (prior year $ XXX,XXX). The cost accumulations follow the definition of scientific research and experimental development as provided in the Income Tax Act. No development costs were deferred in the current year.

1401 - Miniature Printer - TAX CASE (6379249 Canada Inc.)		
BENCHMARKS	**ACTIVITIES BY YEAR**	
Internet searches: 100 Articles		
Patent searches: 14 patents		
Patent searches: 14 patents		
Competitive products or processes: 5		
Similar prior in-house technologies: 54	2015	
Potential components: 7 products	03-Jan	04-Jan
Potential components: 50 products	New print driver	Moisture analysis
OBJECTIVES	**RESULTS**	
Battery life: 20 pages	22	
Jam rate: 1 jams/1,000 sheets	27	
Ambient humidity limit: 95 %		92
Media thickness upper: 0.1 mm	0.09	
Media thickness lower range: 0.05 mm	0.04	
Speed (pages per minute): 5 ppm	5	
felt medium life: 20 1000's / pages	18.5	
Overall reject rate: 0.1 %	4	
Cost : 80 $	83	
UNCERTAINTIES & KEY VARIABLES	**CONCLUSIONS**	
1 - Variables cited in tax case		
clutch plate surface area & use of ridges		
felt (friction, compression & degradation)		
moisture vs anti curl mechanism		Y
slip clutch		
static versus dynamic load	Y	
	METHODS	
Analysis	400	
Trials	70	1200
Prototypes		
Lines of code		
	COSTS	
Hours	1100	300
Materials $	14000	
Subcontractor $		

1500 - Engineering - Tax Case (Northwest Hydraulics)			
BENCHMARKS	**ACTIVITIES BY YEAR**		
Internet searches: 21 Articles			
Patent searches: 5 patents	2015		
products	01-Jan	02-Jan	03-Jan
products / processes	sediment & water levels	Upstream training works	Low Flow channel
OBJECTIVES	**RESULTS**		
Decrease Bed load Deposition: 50 %			60
Reduce Downstream scouring: 80 %			71
Minimize Production cost: 23000 $			25000
UNCERTAINTIES & KEY VARIABLES	**CONCLUSIONS**		
levels			
alignment & shape for the intake structure			Y
spurs			Y
scour protection scheme			Y
settling basin geometry			Y
weir, sluiceway, headgate, ejector			Y

	METHODS		
Analysis	63	55	
Trials		4	18
Prototypes		2	3
Lines of code			
	COSTS		
Hours		450	570
Materials $		22000	
Subcontractor $	50000		

1501 - Software R&D - International Guidelines (OECD)		
BENCHMARKS	**ACTIVITIES BY YEAR**	
	2015	
	01-Jan	02-Jan
(none)	activities	activities
OBJECTIVES	**RESULTS**	
GIS: x		
new theorems & algorithms : x		
advances in generic approaches : x		
UNCERTAINTIES & KEY VARIABLES	**CONCLUSIONS**	
Problems		
level of o/s's, prog languages &/or tools		
	METHODS	
Analysis		
Trials		
Prototypes		
Lines of code		
	COSTS	
Hours	700	
Materials $		
Subcontractor $		

1502 - Software - TAX CASE (ACSIS)	
BENCHMARKS	**ACTIVITIES BY YEAR**
internet searches: 20 Articles	2015
products	01-Jan
	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 $	

Direct Cost Summary

R&D Base demo

Thursday,Dec 31,2015

Project			Employee Wages		Subcontractor Costs					Material Costs			Final
Number / Name	Timeline		Specified	Other	Arms-length	Related	Government	Foreign	Unknown	Consumed	Transformed	Total	Approved
Canada													
Ontario													
1401 Miniature Printer - TAX CASE (6379249 Canada Inc.)	2014-01	2015-09	266,949.15	0.00	0.00	0.00	0.00		0.00	0.00	14,000.00	280,949.15	NO
1500 Engineering - Tax Case (Northwest Hydraulics)	2012-01	2016-10	0.00	58,252.12	50,000.00	0.00	0.00		0.00	22,000.00	0.00	130,252.12	NO
1501 Software R&D - International Guidelines (OECD)	2014-01	2016-10	0.00	32,627.12	0.00	0.00	0.00		0.00	0.00	0.00	32,627.12	NO
1502 Software - TAX CASE (ACSIS)	2015-01	2016-06	63,559.32	0.00	0.00	0.00	0.00		0.00	0.00	0.00	63,559.32	NO
			330,508.47	90,879.24	50,000.00	0.00	0.00		0.00	22,000.00	14,000.00	507,387.71	

Project Cost Summary

R&D Base demo

Thursday,Dec 31,2015

Knowledge Base		Costs			Project Timeline	
#	Project Name	Hours	Materials	Subcontractor	Start	Completion
100	HOW TO ENTER PROJECT DATA	0.00	0.00	0.00	2009-01-01	2016-09-30
1401	Miniature Printer - TAX CASE (6379249 Canada Inc.)	1,400.00	14,000.00	0.00	2014-01-01	2015-09-30
1500	Engineering - Tax Case (Northwest Hydraulics)	1,020.00	22,000.00	50,000.00	2012-01-31	2016-10-28
1501	Software R&D - International Guidelines (OECD)	700.00	0.00	0.00	2014-01-01	2016-10-26
1502	Software - TAX CASE (ACSIS)	1,200.00	0.00	0.00	2015-01-01	2016-06-30
1503	Software - TAX CASE (ITC invoice to cash)	0.00	0.00	0.00	2015-02-01	2016-03-31

Summary by Activity

R&D Base demo

Thursday,Dec 31,2015

Knowledge Base				Costs			Project Timeline	
I) Project	II) Uncertainties	III A) Research Activities	Year	Hours	Materials	Subcontractors	Start Date	End Date
100 HOW TO ENTER PROJECT DATA							2009-01-01	2016-09-30
	1: Key Variables (for experimentation)	1-3: Input from all team members	2015	0.00	0.00	0.00		
			Project subtotals:	**0.00**	**0.00**	**0.00**		
1401 Miniature Printer - TAX CASE (6379249 Canada Inc.)							2014-01-01	2015-09-30
	1: Variables cited in tax case	1-3: New print driver	2015	1100.00	14,000.00	0.00		
		1-4: Moisture analysis	2015	300.00	0.00	0.00		
			Project subtotals:	**1400.00**	**14,000.00**	**0.00**		
1500 Engineering - Tax Case (Northwest Hydraulics)							2012-01-31	2016-10-28
	1: Geometry to address sediment & water levels	1-1: Geometry to address sediment & water levels	2015	0.00	0.00	50,000.00		
		1-2: Upstream training works	2015	450.00	22,000.00	0.00		
		1-3: Low Flow channel	2015	570.00	0.00	0.00		
			Project subtotals:	**1020.00**	**22,000.00**	**50,000.00**		
1501 Software R&D - International Guidelines (OECD)							2014-01-01	2016-10-26
	1: Clarify Computer Science vs. Business Problems	1-1: Typically Eligible activities	2015	700.00	0.00	0.00		
		1-2: Typically Ineligible activities	2015	0.00	0.00	0.00		
			Project subtotals:	**700.00**	**0.00**	**0.00**		
1502 Software - TAX CASE (ACSIS)							2015-01-01	2016-06-30
	1: Technological uncertainty	1-1: Activity 1	2015	1200.00	0.00	0.00		
			Project subtotals:	**1200.00**	**0.00**	**0.00**		
1503 Software - TAX CASE (ITC invoice to cash)							2015-02-01	2016-03-31
	1: Process mining techniques	1-1: Activity 1	2015	0.00	0.00	0.00		
			Project subtotals:	**0.00**	**0.00**	**0.00**		

SR&ED Wages - by Project

Thursday,Dec 31,2015

Activity / Employee	Fiscal Year	Work Period	Hours Worked	Rate	SR&ED Wages Specified	Other
1401 - Miniature Printer - TAX CASE (6379249 Canada Inc.)						
1-3: Variables cited in tax case / New print driver						
Tuli, Raja	2015		1,100.00	190.68	209,745.76	0.00
1-4: Variables cited in tax case / Moisture analysis						
Tuli, Raja	2015		300.00	190.68	57,203.39	0.00
			1,400.00		266,949.15	0.00
1500 - Engineering - Tax Case (Northwest Hydraulics)						
1-2: Geometry to address sediment & water levels / Upstream training works						
Newton, Isaac	2015		450.00	52.97	0.00	23,834.75
1-3: Geometry to address sediment & water levels / Low Flow channel						
Pasteur, Lou	2015		570.00	60.38	0.00	34,417.37
			1,020.00		0.00	58,252.12
1501 - Software R&D - International Guidelines (OECD)						
1-1: Clarify Computer Science vs. Business Problems / Typically Eligible activities						
Nobel, Al	2015		700.00	46.61	0.00	32,627.12
			700.00		0.00	32,627.12
1502 - Software - TAX CASE (ACSIS)						
1-1: Technological uncertainty / Activity 1						
Rutter, John Nicholas	2015		1,200.00	52.97	63,559.32	0.00
			1,200.00		63,559.32	0.00
			4,320.00		330,508.47	90,879.24

Employee Hours Summary

R&D Base demo

Thursday,Dec 31,2015

Project	Uncertainty	Activity	Employee	Fiscal Year	Start Date	End Date	Hours
1401: Miniature Printer - TAX CASE (6379249 Canada Inc.)							
	1: Variables cited in tax case	1-3: New print driver	Tuli, Raja	2015	2015-01-01	2015-09-30	1,100.00
	1: Variables cited in tax case	1-4: Moisture analysis	Tuli, Raja	2015	2015-01-01	2015-09-30	300.00
						Total Hours:	1,400.00
1500: Engineering - Tax Case (Northwest Hydraulics)							
	1: Geometry to address sediment & water levels	1-2: Upstream training works	Newton, Isaac	2015	2015-01-01	2015-12-31	450.00
	1: Geometry to address sediment & water levels	1-3: Low Flow channel	Pasteur, Lou	2015	2015-01-01	2015-12-31	570.00
						Total Hours:	1,020.00
1501: Software R&D - International Guidelines (OECD)							
	1: Clarify Computer Science vs. Business Problems	1-1: Typically Eligible activities	Nobel, Al	2015	2015-01-01	2015-12-31	700.00
						Total Hours:	700.00
1502: Software - TAX CASE (ACSIS)							
	1: Technological uncertainty	1-1: Activity 1	Rutter, John Nicholas	2015	2015-02-01	2015-12-31	1,200.00
						Total Hours:	1,200.00
						Total Hours for All Projects:	4,320.00

SR&ED Project Hours - by Employee

R&D Base demo

Thursday,Dec 31,2015

Newton, Isaac

Project / Uncertainty / Activity	Fiscal Year	Start Date	End Date	Hours
1500 - Engineering - Tax Case (Northwest Hydraulics)				
1-2: Geometry to address sediment & water levels / Upstream training works	2015	2015-01-01	2015-12-31	450.00
			Total Hours:	450.00

Nobel, Al

Project / Uncertainty / Activity	Fiscal Year	Start Date	End Date	Hours
1501 - Software R&D - International Guidelines (OECD)				
1-1: Clarify Computer Science vs. Business Problems / Typically Eligible activities	2015	2015-01-01	2015-12-31	700.00
			Total Hours:	700.00

Pasteur, Lou

Project / Uncertainty / Activity	Fiscal Year	Start Date	End Date	Hours
1500 - Engineering - Tax Case (Northwest Hydraulics)				
1-3: Geometry to address sediment & water levels / Low Flow channel	2015	2015-01-01	2015-12-31	570.00
			Total Hours:	570.00

Rutter, John Nicholas

Project / Uncertainty / Activity	Fiscal Year	Start Date	End Date	Hours
1502 - Software - TAX CASE (ACSIS)				
1-1: Technological uncertainty / Activity 1	2015	2015-02-01	2015-12-31	1,200.00
			Total Hours:	1,200.00

Tuli, Raja

Project / Uncertainty / Activity	Fiscal Year	Start Date	End Date	Hours
1401 - Miniature Printer - TAX CASE (6379249 Canada Inc.)				
1-3: Variables cited in tax case / New print driver	2015	2015-01-01	2015-09-30	1,100.00
1-4: Variables cited in tax case / Moisture analysis	2015	2015-01-01	2015-09-30	300.00
			Total Hours:	1,400.00

Total Hours for All Employees: 4,320.00

Equivalent Full-time Employees by T661 Class

R&D Base demo

Thursday,Dec 31,2015

T661 Class	Equivalent Full-time Employees
Fiscal Year 2015	
A	2

SR&ED Wages by Person

R&D Base demo

Thursday,Dec 31,2015

Province -- Specified Employee Employee Name	T661 Class	Wages T4 Box 14	Bonuses T4 Box 40	Hourly Rate (Wages)	Standard Available Hours	Direct SR&ED Hours	% Time SR&ED	Direct SR&ED Wages
Fiscal Year2015								
Specified Employees -- Ontario								
Rutter, John Nicholas	A	$100,000.00	$0.00	$52.97	1888.00	1,200.00	63.56	$63,559.32
Tuli, Raja	A	$360,000.00	$0.00	$190.68	1888.00	1,400.00	74.15	$266,949.15
		$460,000.00	$0.00			2,600.00		$330,508.47
Other Employees -- Ontario								
Newton, Isaac	A	$100,000.00	$0.00	$52.97	1888.00	450.00	23.84	$23,834.75
Nobel, Al	A	$88,000.00	$7,500.00	$46.61	1888.00	700.00	37.08	$32,627.12
Pasteur, Lou	A	$114,000.00	$11,500.00	$60.38	1888.00	570.00	30.19	$34,417.37
		$302,000.00	$19,000.00			1,720.00		$90,879.24
		$762,000.00	$19,000.00			4,320.00		$421,387.71

† Estimated wages based on hourly rate and available hours

Material Costs - by Project

Thursday,Dec 31,2015

Miniature Printer - TAX CASE (6379249 Canada Inc.)

Supplier / Materials	Use	Timeline		Log	Description	Adjustment	Amount
1-3 Variables cited in tax case / New print driver							
Unknown (ON): Unknown	Trans.	2015-01-01	2015-09-30	1	-prototype components		14,000.00
						Total:	**14,000.00**

Engineering - Tax Case (Northwest Hydraulics)

Supplier / Materials	Use	Timeline		Log	Description	Adjustment	Amount
1-2 Geometry to address sediment & water levels / Upstream training works							
Unknown (ON): Unknown	Cons.	2015-01-01	2015-12-31	1	-prototype structures / no scrap value		22,000.00
						Total:	**22,000.00**

Canada Revenue Agency | Agence du revenu du Canada

R&

THIRD-PARTY PAYMENTS FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED)

Fo

Complete this form for each third-party payment and attach it to Form T661.
For more information on third-party payments:

- See line 370 of Guide to Form T661, Scientific Research and Experimental Development (SR&ED) Expenditures Claim;
- Application Policy SR&ED 1996-04, Payments to third parties for SR&ED;
- Application Policy SR&ED 2001-01, Research Chairs;
- Interpretation Bulletin IT-151R5, Scientific Research and Experimental Development Expenditures;

Required Information

1. Identification

Name of the third party

Address (Street number and name)

City	Province / Territory	Postal code

Total amount paid in the year

Provide a list of the research projects which relate to the Provide a list of the research projects which relate to the third-party entity

Project title (and identification code if applicable)

1. 2.

3. 4.

5. 6.

Check (√) the appropriate box to indicate the type of entity:

Approved association	1	
Non-profit SR&ED corporation resident in Canada	1	
An approved university, college, research institute, or other similar institution	1	
Granting council	1	
Other corporation resident in Canada	1	
Are you dealing at arm's length with the recipient?	1	2

2.Nature of payment

Check (√) the appropriate box to indicate the type of entity:

The payment is for:

Experimental development	1
Applied research	1
Basic research	1

Briefly explain what the payment is for

Briefly explain how the SR&ED is related to a business that you carry on

Briefly explain how you are entitled to exploit the results of the SR&ED

Subcontractor Costs - by Project

R&D Base demo

Thursday,Dec 31,2015

1500 - Engineering - Tax Case (Northwest Hydraulics)

Subcontractor	Timeline		Log	Description	Adjustment($	Amount
1 - Geometry to address sediment & water levels / 1 - Geometry to address sediment & water levels						
123 consultants (ON): -base measurements	2015-01-01	2015-12-31	1	-base measurements		50,000.00
					Total:	**50,000.00**

R&D Base demo
Tax Credit Overview
For the Year Ended:December 31,2015

		Working		*Ontario*	Tax return (actual)	
I	**Eligible Expenses: for deduction**	***Paper***		***Total***	***Sched.***	***line #***
	Wages					
	Specified (you or relatives own 10% shares)	***D-0***	$	330,508	***32***	***305***
	Regular employees	***D-0***	$	90,879	***32***	***300***
	Materials					
	Consumed	***D-0***	$	22,000	***32***	***320***
	Transformed	***D-0***	$	14,000	***32***	***325***
	Subcontractors					
	Arm's length	***D-0***	$	50,000	***32***	***340***
	TOTAL: Eligible (deductible) R&D Expenses			507,388		
II	**Qualified Expenses: for calculation of ITC's**					
	Add Proxy (SR&ED overhead) if elected		$	158,641	***32***	***820***
	Less 20% Contractor reducation (after 2012)		$	(10,000)	***32***	
	TOTAL: Qualified Expenditures for SR&ED ITC			656,029		
	Max Expenditure limit					
III	**Provincial Tax Credit**					
	Current Expenditures			65,603		
	Current Expenditures (non refundable)			26,569	***508***	***200***
	renounce the credit			-	***508***	***320***
	Qualified expenses for Calculation of Federal credit			563,857		
	Current Expenditures (35%)			197,350	***31***	***420J***
	Total Federal Investment Tax Credit			197,350		
IV	**Credits: applied vs. refunded**					
	Applied vs income taxes	***Fed***		18,688	***31***	***610***
		Province		7,645	***508***	***U***
	Expected ITC refunds	***Fed***		178,662	***31***	***610***
		Province		65,603	***508***	***160F***
	Carry forward	***Province***		18,924	***508***	***325***
	Total Investment Tax Credits earned			289,522		
V	**After tax cost of I.T.C**					
	ITC's earned = eventual taxable income			289,522		
	Tax Effect - Federal taxes @ 11%			31,847		
	Provincial taxes @ 4.5%			13,028		
	Net Taxes Saved			244,646		

(See accompanying notes T-0.1 to this Tax Credit Overview)

R&D Base demo
Notes to Tax Credit Overview
For the Year Ended: December 31,2015

I Eligible Expenditures (for deduction as tax expenses)

A Current Expenditures

All of the fiscal R&D expenditures of $ 0)(including proxy overhead) are fully deductible for tax purposes independent of whether they have been capitalized or expensed for Financial Statement purposes.

B Capital R&D Assets

The Income tax legislation provides for a full (100%) deduction related to any R&D equipment which is intended to be used all or substantially all (ASA) >90% of its economic life in R&D activities. Additional partial credits can also be earned for shared use equipment (see section II).

II Qualified Expenditures (basis to earn ITC's)

Determination of this balance begins with the "eligible expenditures" determined above. These eligible expenditures are then adjusted to form the basis for the a determination of expenses "qualified" for SR&ED credit:

additions:

The Income tax legislation provides for additional amounts, including an alternative "proxy" election for overhead allocation and partial credits for shared use R&D equipment (SUE) with >50% but <90% R&D use.

deductions:

Most notably amounts for "used equipment" as well as other prescribed expenditures do NOT qualify for investment tax credit.

The net amount is then used to earn Federal and, in most cases, Provincial tax credits.

III SR&ED Investment Tax Credits (ITC's)

Enhanced ITC's (for costs incurred after Jan. 1, 2009)

The enhanced refundable ITC's are earned on the first $3,000,000 of SR&ED expenditures by Canadian Controlled Private Corporations (CCPC's) if, during the previous fiscal year:

1) taxable income of the associated group was < $ 500,000 AND
2) taxable capital (which is roughly = balance sheet assets) of the associated group was < $10,000,000.

This $3,000,000 SR&ED expenditure limit is reduced by $10 for every $1 of prior year income over $500,000 & by $75,000 for every $1,000,000 of prior year taxable capital over $10,000,000. Therefore at $800,000 group income or $50,000,000 group taxable capital, all enhanced credits are eliminated.

IV Provincial Tax Credits

a-1 The Ontario Innovation Tax Credit (OITC: 10% refundable)

The O.I.T.C. is earned by the corporation at 10% of the first $3,000,000 of investment in qualifying SR&ED performed during the taxation year in Ontario which would be eligible for the enhanced ITC above. The OITC is taxable in the year that it is earned and decreases the level of expenditure eligible for Federal I.T.C. (as does all other "Financial Assistance" for SR&ED).

a-2 The Ontario Research and Development Tax Credit (ORDTC: 4.5% non-refundable)

a-3 The Ontario Business Research Institute Tax Credit (OBRI: 20% refundable)

B **Federal Investment Tax Credit**

A fully refundable Federal I.T.C. is earned by the corporation at 35% on the first $3,000,000 of qualifying, current SR&ED expenditures during the year. Above this expenditure limit a 20% credit is earned. This second 20% credit as well, as the credit earned on capital equipment, is only 40% refundable. The Federal I.T.C. is taxable in the year following its use.

Recommendation for next year : In order to maintain maximal, future eligibility for the enhanced (35%) R&D credits, we should keep the taxable income of the, "corporate group," under $500,000.

V After Tax Cost of SR&ED Incentives;

Both the provincial & federal ITC's are eventually taxable income. In order to determine the net value of any such credits to the company we must estimate the eventual tax on these credits at the expected future corporate tax rate.