

Investment Tax Credits – SR&ED

One of the many Investment Tax Credits offered to businesses is for SR&ED expenditures – Scientific Research and Experimental Development. These tax credits are intended to encourage research and development in many different sectors and are available to all sizes of business, not just large corporations. Even sole proprietors can claim them. Making a successful claim for SR&ED can result in refunds of as much as 35% of the amount spent on qualified expenditures.

The definition of SR&ED is “the systematic investigation or search carried out in a field of science or technology by means of experiment or analysis...for the advancement of scientific knowledge or technological advancement”. The first step is to determine if the work you are doing falls within this definition by answering five questions – the aim of which is to show that the research was needed, that proper scientific method was used, that some advancement resulted (not necessary to show success, just progress), and that detailed records were kept.

The second step is to determine the extent of eligible work – the work that directly supported the research being done. Not all expenditures associated with the project will fall into the definition of eligible work pertaining to the SR&ED claim. Only when your Research & Development project hits a snag and needs to cycle through a systematic experimental process is there SR&ED.

The experts working in the SR&ED Department of the Canada Revenue Agency are all trained scientists and engineers. They are available at any time to speak to about your project and answer your questions. They frequently go on-site to help companies figure out what is and isn’t claimable. The tax credits are there to assist innovative companies and should not be overlooked.

--Gwyneth James MBA CGA is the owner of TCP Accounting & Tax Services which has been providing accounting services for over 20 years to individuals and small businesses throughout Peterborough City and County. (705) 876-6011.