

# SR&ED Update

**CRA HOLDING REFUNDS UNTIL ALL DUE RETURNS FILED**

Earlier this year CRA introduced legislation that allows them to hold refunds until all returns due the CRA, including GST, Payroll deductions, and tax forms are filed. So, please ensure that all your tax returns have been filed with CRA and you do not have amounts owing CRA. This will ensure that your refund claim is released once it has been processed.

The following are the standardized accounting provisions in the *Budget Implementation Act, 2006* effective April 1, 2007;

**Restrictions on the payments of refunds or rebates.**

Effective April 1, 2007, a person will not be paid a net tax refund at any time until the person files all returns of which the CRA has knowledge that are required to be filed up to that time by the person under the ETA, the ITA, the *Excise Act, 2001*, or the ATSCA.

Beginning April 1, 2007, a person will not be paid a refund or rebate until such time as the person has filed all returns of which the CRA has knowledge that are required to be filed under the Acts listed above.

**Automatic offsets of refunds or rebates.**

Beginning April 1, 2007, any refund or rebate owing to a person will not be paid to the person if the person has any amounts owing under the ETA, the ITA, the *Excise Act, 2001*, or the ATSCA. Instead any refund or rebate owing to a person may be automatically offset against a debt that person owes to the Receiver General under any of these Acts.

**DOCUMENTATION KEY TO CLAIMING MATERIALS AND CONTRACTOR AMOUNTS**

While CRA is usually quite reasonable on undocumented time by employees the same is not true for contractors and materials claimed.



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We see large claims for materials consumed paid without contest in cases where our client clearly documents experimental runs in a production facility. However, even small amounts can be reviewed without some record of how the materials were used.

Contractor payments are easily substantiated where the contractor separates the materials and the labour and where there is a clear statement of the work being performed by the contractor.

A little thought going into these contracts can mean less work clarifying whether the terms of the contract and the work being performed by the contractor on your behalf is SR&ED eligible.

Thought should also be given to who owns the Intellectual Property resulting from the work. The person taking the risk and owning the technology is the one eligible for SR&ED tax credits.

Should you need assistance is preparing your contracts for SR&ED work, Iwasan has partnered with Ellis Business Lawyers to provide legal assistance to the SR&ED process.

**TIMELINESS A CONCERN FOR NEW ASSISTANT DIRECTOR, SR&ED JOHN MARQUIS**

Recently a small group of practitioners met with John Marquis, Assistant Director SR&ED Division out of Vancouver and he indicated that timeliness in the delivery of the program was a priority to him. To that end he indicated that some changes and improvements were being made:

\*He has instructed his staff to follow up deadlines and examine the case for suitability of the 30 days in an effort to reduce file delays. Staff are being asked to carefully review all requests for delay by claimant/practitioner. They will not be adopting a strict 30-day or else letter. If warranted, there may be a further 15-day delay. They may have to process files with information on hand if requested material is not provided on a timely basis.

\*Surrey TC has helped speed up the process by reducing their handling of the files to 1/2 the time.

\*In order to free his staff from answering constant requests for status, John asked that we give them 6 weeks before following up at the Tax Center office.

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**Call Peggy Aulenback or Chris Stevens at 604-581-6900 or Fax this request for a free assessment & info package to: 604-581-4666**

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