



**IWASAN**  
CONSULTING



## SR & ED Update – Iwasan's Newsletter

Home	R&D Refunds	How It Works	Free Info	Iwasan's Team	Articles	Clients & Testimonials	<b>SR&amp;ED Update</b>	Provincial Incentives	Gov. Links	Contact Us
------	-------------	--------------	-----------	---------------	----------	------------------------	-------------------------	-----------------------	------------	------------

# SR&ED Update – *March/April 1999*

## Past Updates

[« Return to Current Issue](#)

## SR&ED Program

The SR&ED program is an incentive program designed to provide substantial tax credits (which are refundable to small corporations) to Canadian companies. This program was designed to provide an incentive or encourage research and development in Canada. Recently, many companies have encountered problems in dealing with their application for SR&ED expenditures. What used to be a routine application and audit process has turned into a struggle and in some cases has become a very costly process. Several companies have decided to abandon the program rather than go through an extended audit process where the outcome may be unknown.

If this is your position, you are not alone. So many companies across Canada had similar experiences that several leading technology associations participated in putting together a report to the Minister of National Revenue outlining industry's concerns and making recommendations on how to make the program more effective. Following the report a major tax conference was held in Vancouver to gather input from the attendees on how the program could be improved. This meeting was attended by approximately 100 SR&ED experts from small and large companies, industry associations, as well as CCRA.

The emphasis at the conference was on:

- Certainty – knowing what qualifies
- Consistency – predictable results across Canada and each fiscal year
- Timeliness – in making decisions both positive and negatively on applications

## Major SR&ED Conference Recommendations

Specific recommendations made at the tax conference include:

- Run the program like a business.
- Uniform codes and standards at CCRA.
- Recognize that high technology is a business, very different from that in an academic institution.
- There is a need for industry specific guidelines.
- Contentious issues regarding software must be resolved – many claimants now believe that software research and development is not eligible

## Court Case – Documentation Required to Support Claims

On June 9, 1998 the Tax Court of Canada ruled in favor of the appellant 116736 Canada Inc. that the Act and the Regulations do not require written detailed reports of step-by-step investigations to be produced, for a taxpayer to qualify for SR&ED expense deductions. In this case the taxpayer was unable to provide detailed calculations done and was unable to produce prototypes to support the claim. The taxpayer, through oral testimony, was able to satisfy the Tax Court that systematic investigation had taken place in an attempt to develop new technologies. The decision also reiterated the fact that although the Act and Regulations do not require documentation, without that evidence a taxpayer puts themselves in a precarious position.

## **Iwasan's Project Evaluation Service**

Given the current climate within the SR&ED program, Iwasan has stepped up our claim evaluation process to include the following:

- Technical evaluation,
- Financial review, and
- Process evaluation

If you are considering making an SR&ED claim, call Doug Mitchell at Information Services, 1-800-661-4463.