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SR & ED Update – Iwasan's Newsletter

Home	R&D Refunds	How It Works	Free Info	Iwasan's Team	Articles	Clients & Testimonials	SR&ED Update	Provincial Incentives	Gov. Links	Contact Us
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SR&ED Update – *Spring 2001*

Past Updates

[« Return to Current Issue](#)

Software & Life Sciences SR&ED Guidelines Released

CCRA recently worked together with industry representatives to establish sector specific guidelines to improve the SR&ED program in keeping with their action plan. The guidelines issued are:

- **Guidance on Eligibility of Software Projects for the SR&ED Tax Credits and Developing and Documenting Claims**
- **Multinational Clinical Trials (application policy paper)**
- **Eligibility of Clinical Research in the Pharmaceutical Industry (application policy paper)**

Some of the content of the guidelines is as follows:

SOFTWARE/INFORMATION TECHNOLOGY SECTOR

TECHNOLOGICAL ADVANCEMENT

Technological advancement for software development is defined not by the software functions and features or by being the best or only software suite for a particular purpose. Instead, advancement in computer software is determined by innovation in software architectures, algorithms, designs, techniques or constructs. Future extensions to the proven software only qualify if in adding these features it challenges the original architecture or system performance, etc. and creates a technological uncertainty in itself.

TECHNOLOGICAL UNCERTAINTY

Projects must also involve technological uncertainty, eg. At least one technological issue had to be resolved through experimentation. These issues could be:

- Resolving which is the best architecture, design, algorithm, technique or construct
- Meeting desired performance levels or specifications within the constraints of hardware or software
- A system uncertainty – ensuring interoperability of software/hardware entities not designed to work together

TECHNOLOGICAL CONTENT

The third requirement of the SR&ED program is that the attempt to advance technology by resolving the stated technological uncertainties is carried out in a systematic manner by individuals with the requisite competencies.

Typically software development encompasses these procedures. Unfortunately, there is often very little documentation to satisfy the reviewer that these procedures were followed.

The suggested documentation includes:

- Developer's journals; architectural design documents; minutes of meetings; performance requirement specifications; and test results (dated).
- Source code, including prototype code
- Third party literature

TIP: *Create an SR&ED file; put copies of all notes, minutes, tests, specifications, drawings, literature, etc. into the file as the project progresses.*

Life Sciences Guidelines

CCRA together with representatives of the pharmaceutical/biopharmaceutical industry and the medical research community created a guideline for Multinational Clinical Trials and Eligibility of Clinical Research in the Pharmaceutical Industry. These policy papers address the eligibility of work performed by this industry within Canada.

If the work is carried on in Canada and involves studying subjects, to be eligible for SR&ED, the clinical trials must demonstrate that they are based on a protocol, which includes a hypothesis, scientific rationale and a systematic method of biomedical experimentation subject to analysis and interpretation. Some projects not involving studying subjects may also qualify.

The policy paper also addresses the eligibility of clinical trials such as Phase IV (post-approval) and pharmacoeconomic clinical trials. Phase IV projects qualify if they meet the 3 criteria. Pharmacoeconomic studies must be separated into clearly identified economic and therapeutic components, the latter being considered for SR&ED only.

Iwasan's Services

Iwasan Consulting works exclusively with SR&ED claims, ranging in size from \$10K to several million. We have assisted 1000's of companies in determining whether they have an SR&ED claim; preparing the SR&ED financial and technical documentation for the application and managing the claim through the audit process to completion. The key to our success is our Project Evaluation service, which gives the applicant a clear picture of whether the project will qualify and an estimate of the claim value at the outset of the process.

Call Peggy Mooney or Chris Stevens at 604-581-6900 for a free assessment of your project today. If there are indicators of eligible SR&ED a technical evaluation will be recommended.