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SR & ED Update – Iwasan's Newsletter

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Scientific Research and Experimental Development Tax Credits

The Scientific Research and Experimental Development Refundable Tax Credits program is a federal incentive for research and development carried out in Canada. The rate of refund for a Canadian Controlled Private Corporations is 35% and the rate for others is 20%. The criterion for eligibility is:

- The project must have a technological advance in a field of science or technology.
- There must be technological uncertainty present in the project.
- An experimental process to resolve the uncertainties must be carried out by qualified individuals.

BC R&D Tax Credit – Effective September 1, 1999

The BC R&D Tax Credit is available for corporations with fiscal year ends straddling the September 1, 1999 effective date or ending after September 1, 1999. It is important for corporations with a fiscal year end straddling the September 1, 1999 date to identify the expenditures from September 1 to the end of the fiscal period for the BC R&D Tax Credit application. The rate of the ITC is 10% refundable to companies doing eligible R&D in BC. The criterion follows that of the SR&ED program.

Other Provincial Incentives – Same Criterion as SR&ED

Other Provinces in Canada have incentives that are based on SR&ED eligibility as well:

- Manitoba – 15% tax credit
- Newfoundland – 15% refundable tax credit
- Nova Scotia – 15% refundable tax credit
- Saskatchewan – 15% tax credit
- New Brunswick – 10% tax credit
- Ontario – 10% refundable tax credit
- Ontario – Superallowance; 25% to 52.5% tax deduction based on the ITC

Both Ontario and Quebec offer additional tax credits based on payments made to approved institutions in respect of qualifying SR&ED (same eligibility requirements as the SR&ED program-may need pre-approval). In Quebec, additional credits are available based on wages paid in respect of SR&ED.

IRAP – Additional Assistance for Your R&D Project

The National Research Council, through the IRAP program, offers several assistance programs that partially cover research and development costs, as well as extending the coverage to market surveys, feasibility studies and other items not included in SR&ED benefits:

IRAP – Technology Enhancement

- 75% of expenses covered to a maximum of \$15,000 per project for short term projects (1 year or less)
- maximum \$25,000 per year
- covers technical feasibility studies, small scale R&D, technical analysis, government or university research labs

There is also a 50% assistance program ranging from \$15,000 to \$350,000 over a 3 year period for the same type of work noted above. However, this assistance is extended to corporations that win a Canada-wide competition for these funds.

IRAP – Technology Assistance Program (TAP Program)

- This program has the same criterion as the SR&ED program
- Assistance is 50% of expenses up to \$40,000 per month, paid monthly

IRAP – Market Assessment of Research and Technology

- Assistance is for the cost of market surveys
- 75% of the costs up to \$15,000

Program for Export Market Development (PEMD)

PEMD is federal government's primary program for developing exports. PEMD applicants must be export-ready Canadian companies and registered with WIN Exports.

The preference for participation in the program is given to companies with:

- Annual sales from \$250,000 to \$10 million
- Less than 100 employees in manufacturing or 50 in the service industry

The program provides the following assistance:

- 50% to \$7500 for first trade show
- 50% to \$50,000 once established for market surveys, advertising, website, etc.

The funds are repayable interest free over 3 years depending on success.

Iwasan Consulting acts as consultants in the area of SR&ED applications, Provincial Incentives, IRAP programs, and other financial assistance programs for businesses. Call us today for a complimentary review of your projects.