

The Scientific Research and Experimental Development Program: A major fiscal asset.



One of the most generous tax benefits in the world, Canada's SR&ED program aims to encourage companies and individuals to invest in scientific research and experimental development. The province of Quebec also offers its own program, which can be combined with the federal program.

What is SR&ED?

- > Experimental development: Aims to develop new materials, devices, products, or processes, or to improve existing ones, even incrementally, with the goal of technological advancement;
- > Applied research: Its primary aim is to contribute to the advancement of scientific knowledge, with a view to practical applications;
- > Pure or fundamental research: Aims to advance scientific knowledge without targeting a particular practical application (e.g. university research).

Conditions.

1. There must be scientific or technological uncertainties, risks, or challenges;
2. There must be scientific or technological advancement or progress, even if there is no clear way forward after the experiment;
3. There must be scientific and technical content: Use competent and qualified personnel with relevant experience and adopt a systematic approach throughout the experiment or analysis.

Advantages.

Investment tax credit rate*	
Federal: 35% for SMEs and 15% for large companies.	Québec: 14% to 30%.

*Calculated on expenditures eligible for SR&ED.

- For Canadian-controlled private corporations: this tax credit may be refundable. Thus, it may result in a tax refund in the event that the corporation records a loss in that fiscal year.
- SR&ED expenditures are deductible in the year in which they are incurred, but may be indefinitely deferred, reducing tax payable in a subsequent year.

Eligibility Criteria.

Eligible businesses.

- Canadian-controlled private corporations (CCPCs);
- Foreign companies with a Canadian subsidiary;
- Sole proprietorships;
- Partnerships;
- Canadian trusts;
- Public companies;
- Individuals.

Target industries.

Aeronautics | Agriculture | Agrifood | Chemistry | Plastics | Metals | Construction and Engineering | Energy | Environment | IT and Electronics | Artificial Intelligence | Manufacturing | Pharmaceutical | Biotechnologies | Cosmetics | Textiles | etc.

Recognized Activities.

Any activities directly related to SR&ED are eligible*, including the following:

- Engineering
- Design
- Computer Programming
- Mathematical Analysis
- Psychological Testing or Research
- Operational Research
- Data Gathering

*Admissible if it is proportional and contributes directly to SR&ED work

Acceptable Expenses

Salaries, materials, subcontractors, payments made to third parties, overhead, rental costs of certain equipment, etc.

For more information.

Contact our Tax Law Team.