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SECTION 5 • MEDICAL RESEARCH

Medical Professional Corporation SR&ED Claims

Sources, project grouping, funding rationale, and salary rules

Income Tax Act s. 248(1) definition of SR&ED and CRA SR&ED Eligibility Policy (technological advancement through systematic investigation). Medical professional corporations are treated as corporations for SR&ED purposes; see CRA guidance on claims by medical professional corporations and the approach accepted in Andre Lamy Medicine Professional Corporation v. The Queen.

1. SOURCES FOR CLAIMS

What can support an SR&ED claim?

Source	Strength	Typical use
Tithes payments	Strongest / easiest	Hospital letter or slip; establish SR&ED relationship and applicable expenditure treatment.
Personal / lab notes & protocols	High	Uncertainty, hypotheses, methods and results.
Hospital / institutional records	High	Ethics, protocols and time logs; context and support.
Peer-reviewed papers	Supporting	Outcomes and advancement; secondary to contemporaneous records.

Tithes: confirm the applicable claim route and documentation requirements.

Tithes (or equivalent hospital-supported research payments) are generally the most straightforward basis for an SR&ED claim. They do not require a detailed project description beyond confirmation that the underlying work was SR&ED-related. A letter or slip from the hospital where the work was performed is normally sufficient support.

For other sources, CRA Form T4088 (Guide to Form T661) emphasizes that dated records generated during the work provide the best support for the work claimed on Lines 242, 244 and 246. Peer-reviewed publications may illustrate technological advancement but do not replace contemporaneous evidence of systematic investigation required under the SR&ED definition in ITA s. 248(1).

Qualification: the proposed simplified tithes treatment is not independently verified; confirm payment classification and applicable CRA reporting requirements.

2. RATIONALE FOR CLAIMS & FUNDING

Common medical funding patterns

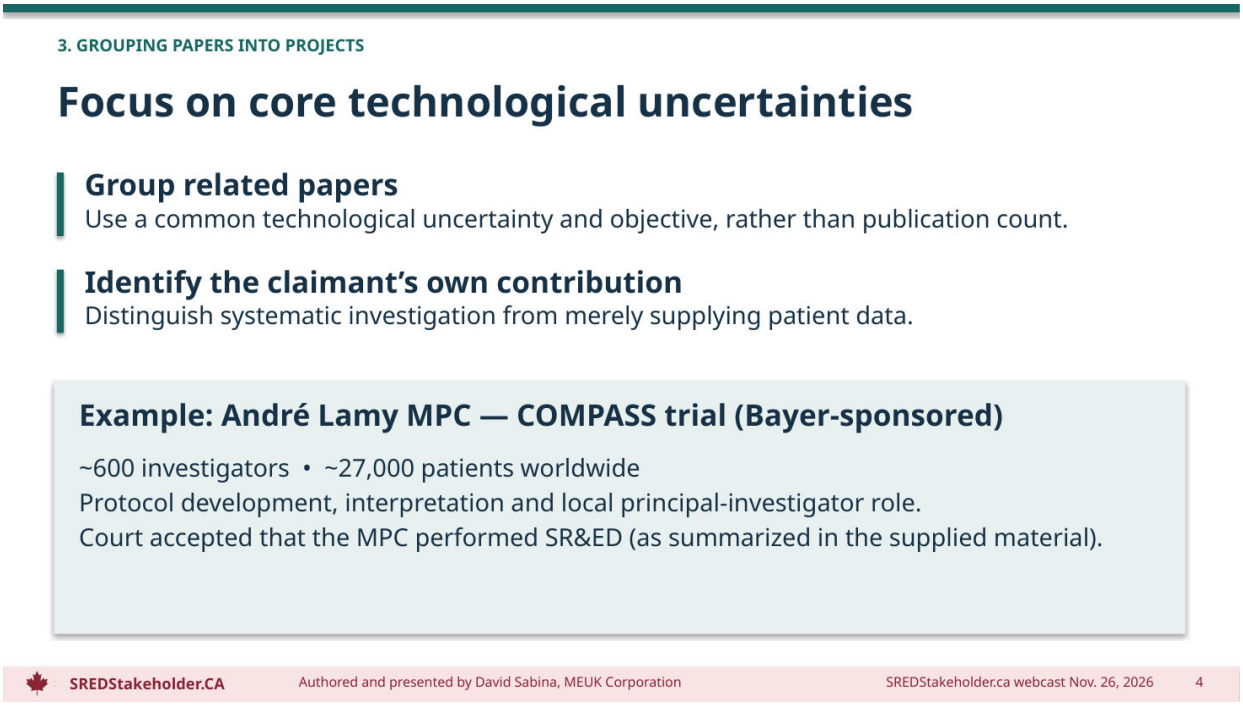
Hospital and grant funding
Often covers materials, support staff and infrastructure not claimed by the MPC.

Physician research time
Frequently uncompensated or only partially compensated; claimed wages must be incurred.

Clinical work
May support SR&ED when directed at resolving technological uncertainty.

Funding breakdown
Separate clinical, AFP, research, SR&ED and other funding; identify amounts paid and contributed.

CRA SR&ED Salary or Wages Policy and Traditional and Proxy Methods Policy address the treatment of expenditures. Grants and funding that reimburse materials or support staff do not automatically create or preclude a claim for the physician's own salary or wages incurred for SR&ED. The claimant must still demonstrate that the work meets the definition of SR&ED in ITA s. 248(1) and that the claimed expenditures were incurred in the prosecution of SR&ED (ITA s. 37(8)).



CRA SR&ED Project Eligibility Policy and the requirement for technological uncertainty under ITA s. 248(1). In multi-investigator studies, the claimant must show that its own work involved systematic investigation directed at resolving technological uncertainty, not merely the provision of data. The approach in Andre Lamy Medicine Professional Corporation v. The Queen illustrates acceptance of protocol-level and interpretive contributions by a medical professional corporation.

4. SALARIES — SPECIFIED EMPLOYEES

Specified employees: annual limits

Generally ≥10% of any class of shares, or related persons (see statutory definition).

Limit	2026 YMPE	Maximum
SR&ED wages (traditional method)	$74,600	5× = $373,000
Salary base for proxy (PPA)	$74,600	2.5× = $186,500
Non-specified employees	—	No specified-employee annual cap

- Bonuses and profit-based remuneration excluded for specified employees (ITA s. 37(9)).
- Proration and allocation among associated corporations apply as required (T1174).

ITA s. 37(9.1) and CRA SR&ED Salary or Wages Policy, section 6.1.1: the amount that may be claimed as salary or wages of a specified employee is limited to five times the Year's Maximum Pensionable Earnings (YMPE) for the calendar year in which the taxation year ends, prorated as required. The salary base used for the prescribed proxy amount is limited to 2.5 times YMPE (Income Tax Regulations). Bonuses and remuneration based on profits of specified employees are excluded under ITA s. 37(9). Associated corporations must allocate the salary or wages using Form T1174.

4b. LUMP-SUM / YEAR-END PAYMENTS

Risk of characterization as a bonus

Monthly salary	Annual regular pay	Intended annual salary
$20,000	$240,000	$480,000

CRA concern
A $240,000 year-end top-up may be treated as a bonus or profit-based remuneration.

Fixed annual salary
Evidence of an intended $480,000 salary independent of profits may support characterization as wages, subject to caps.

Contemporaneous documentation
Employment agreement, board resolution and consistent payroll pattern.

ITA s. 37(9) excludes from SR&ED expenditures any bonus or remuneration based on profits paid to a specified employee. CRA SR&ED Salary or Wages Policy confirms that such amounts are not included in the R&D expenditure pool or in the calculation of the R&D hourly rate for specified employees. Contemporaneous evidence of a fixed annual salary arrangement (rather than a profit-dependent year-end adjustment) is relevant to the characterization of the payment.

SUMMARY

Key takeaways

1. Evidence
Contemporaneous records and hospital-supported tithes; confirm applicable claim requirements.

2. Funding
Clarify funding sources and amounts attributable to physician research time.

3. Projects
Group by technological uncertainty; document specific contributions (Lamy example).

4. Salary limits
$373,000 wages / $186,500 proxy salary base under the supplied 2026 assumptions.

5. Year-end payments
Document fixed salary arrangements to distinguish them from bonuses.

Summary references: ITA s. 248(1) (SR&ED definition); CRA Form T4088 and SR&ED Eligibility / Project Eligibility policies (contemporaneous records and technological uncertainty); ITA s. 37(8) and s. 37(9) / s. 37(9.1) and CRA SR&ED Salary or Wages Policy (expenditure rules and specified-employee limits). The person who certifies the claim remains responsible for its accuracy.