



II) Government SR&ED announcements

SREDStakeholder.CA
CRA & Provinces

II - Government SR&ED announcements - CRA & Provinces

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1) New SR&ED Director General (DG)

July 2021, Lorraine Redekop

- Replaces Jason Charron (2017-2021)
- Some comments integrated into this presentation

SR&EDStakeholder.CA

2) CRA SR&ED Statistics

Red Book access restricted?

- Large fluctuations in approved claims 2020-2022
- Mostly related to 15% claimants
- Likely due to clearing of prior year objections & appeals
- Per DG: we are **no longer making the detailed Redbook data available** publicly, however we will continue to make macro-level program data available.

Balances provided by DG office

SR&ED stats for fiscal period: April 1, 2020 to March 31, 2021 are:

- SRED claims filed: 21,017
- Dollar value of investment tax credits claimed: \$3.7B
- Number of SR&ED claims processed*: 21,707
- Dollar value of investment tax credits allowed: \$4.7B

**Claims processed in the fiscal period may have been filed in a prior fiscal period. It is possible that the claims processed in the fiscal year exceeds the claims filed in the fiscal year in quantity and investment tax credits.*

Breakdown on refundable vs. non-refundable

For the 2020-2021 and 2021-2022 fiscal periods the numbers are as follows:

| Fiscal Year | Claims processed | Total ITC allowed on closed* claims (\$,000) | Refundable ITC (\$,000) | Non-refundable ITC** (\$,000) |
|-------------|------------------|--|-------------------------|-------------------------------|
| 2021-2022 | 20,320*** | \$3,259,377 | \$1,900,708 | \$1,358,670 |
| 2020-2021 | 21,707 | \$4,661,935 | \$2,015,615 | \$2,646,320 |

Large increases 2020 to 2021

Mostly 15% claimants

SR&ED claim intake

| SR&ED claim intake | Year end Mar 31, 2020 | | 31-Mar-21 | | | Variance 2020-2021 | | |
|--------------------------|-----------------------|--------------------|---------------|--------------------|--------------------|--------------------|---------------|----------------|
| | Claims | ITC's | Claims | ITC's Claimed | ITC's Allowed* | Claims | ITC's Claimed | ITC's Allowed* |
| National | 19,959 | \$3,046,754 | 21,707 | \$3,700,000 | \$4,661,935 | -1% | 40% | |
| Refundable (35%) | 12,069 | \$1,363,208 | 14,039 | \$1,599,717 | \$2,015,615 | | 6% | 33% |
| Refundable TPR (35%) | 2,805 | \$149,665 | 3,319 | | | | | |
| Non-Refundable (15%) | 3,466 | \$1,142,062 | 3,117 | \$2,100,283 | \$2,646,320 | | 37% | 82% |
| Non-Refundable TPR (15%) | 1,424 | \$311,680 | 1,101 | | | | | |
| Other | 195 | \$80,138 | 131 | | | | | |
| | 19,959 | | 21,707 | | | | | |

Source: CRA Redbook

Source: CRA SR&ED Director General Office

Stabilizing 2021 to 2022 - shift to 35% claimants

SR&ED claim intake

| | 31-Mar-21 | | | 31-Mar-22 | | Variance 2021-2022 | |
|--------------------------|---------------|--------------------|--------------------|---------------|--------------------|--------------------|---------------|
| | Claims | ITC's Claimed | ITC's Allowed* | Claims | ITC's | Claims | ITC's Claimed |
| National | 21,707 | \$3,700,000 | \$4,661,935 | 20,332 | \$3,259,377 | 3% | -23% |
| Refundable (35%) | 14,039 | \$1,599,717 | \$2,015,615 | | \$1,900,708 | | 19% |
| Refundable TPR (35%) | 3,319 | | | | | | |
| Non-Refundable (15%) | 3,117 | \$2,100,283 | \$2,646,320 | | \$1,358,670 | | -35% |
| Non-Refundable TPR (15%) | 1,101 | | | | | | |
| Other | 131 | | | | | | |
| | 21,707 | | | 20,332 | | | |

Source: CRA SR&ED Director General Office

* - ITC's allowed may relateto prior periods

Source: CRA SR&ED Director General Office

3) CRA Guidelines on SR&ED eligibility

Aug. 13, 2021

10/14/21, 12:58 AM

Guidelines on the Eligibility of Work for SR&ED Tax Incentives - Canada.ca



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- > [Scientific Research and Experimental Development Tax Incentive Program](#)
- > [Scientific Research and Experimental Development policies, procedures, and guidelines](#)

Guidelines on the eligibility of work for scientific research and experimental development (SR&ED) tax incentives

Date: August 13, 2021

Important notice

These guidelines replace the Eligibility of Work for SR&ED Investment Tax Credits Policy, which has been archived.

The definition of SR&ED given in subsection 248(1) of the Income Tax Act has not changed. The new guidelines feature simplified explanations of our program requirements, clear breakdowns of what constitutes eligible work, and links to further guidance on what you can claim and how to support your claim.

New focus : Why & How ?

Requirements for work to be eligible

The definition describes **why** and **how** SR&ED is conducted, which are two key requirements that must both be met for work to be eligible as SR&ED.

Why = TA (Technological Advancement)

The "Why" requirement

Work must be conducted for the advancement of scientific knowledge or for the purpose of achieving technological advancement (contained in paragraphs (a) to (c) of the definition). The key to both is the generation or discovery of **knowledge** that advances the understanding of science or technology. The type of knowledge in this context is conceptual knowledge, such as theories or prediction models, rather than just factual knowledge, such as data or measurements. Categorizing this knowledge as being either scientific or technological is not important when it comes to determining the eligibility of work, as both scientific and technological knowledge are eligible.

TU (Technological Uncertainty) Prior Art / Standard Practice

How can you determine when new scientific or technological knowledge is needed? It is needed when it is unknown (or uncertain) whether a given result or objective can be achieved, due to an insufficiency in the available scientific or technological knowledge. This is referred to as a scientific or technological uncertainty. Note that the available knowledge is the combined scientific or technological knowledge of the resources within your business and those sources that are reasonably available to you publicly.

Why (or why not)? = TU

Conclusions vs. Results

The recognition that scientific or technological uncertainty exists marks the starting point for the SR&ED work, while the advancement is the targeted outcome of the work. Therefore, an attempt to resolve scientific or technological uncertainty is an attempt to achieve scientific or technological advancement.

Note

Note that success or failure in meeting your objectives is not relevant when assessing whether your work meets the “Why” requirement. The definition of SR&ED only requires that the purpose of the work be for achieving scientific or technological advancement, or in other words, for the purpose of generating or discovering scientific or technological knowledge that advances the understanding of science or technology.

Defining Prior Art / Standard Practice

The "Why" requirement in the context of experimental development

In the context of experimental development, the work is conducted for the purpose of achieving technological advancement. In other words, the work is conducted for the generation or discovery of knowledge that advances the understanding of technology.

Here are some characteristics of problems that may suggest the technological knowledge is insufficient:

- Existing design methods are not applicable;
- Requirements or specifications do not conform to existing standards;
- Too many variables or unknowns;
- Parameters or conditions are outside of the normal operating range;
- Nature of the problem is evolving;
- Data is not readily available;
- There are interlocking constraints.

The "How" requirement TU & Conclusions vs. Results = TA

It is important to distinguish between a systematic approach to carrying out work and the approach that is a systematic investigation or search called for in the definition of SR&ED. The latter approach includes:

- Generating an idea consistent with known facts, which serves as a starting point for further investigation towards achieving your objective or resolving your problem. Your idea may be expressed as a possible solution to a problem, a proposed method or an approach. This can be referred to as a hypothesis.
- Testing of the idea or hypothesis by means of experiment or analysis. The idea can evolve and change as a result of testing.
- Developing logical conclusions based on the results or findings of the experiment or analysis.
- Keeping evidence that is generated as the work progresses.

Other ideas & concepts

- Elon Musk – “recursive effects”
- Source - Elon Musk: SpaceX, Mars, Tesla Autopilot, Self-Driving, Robotics, and AI | Lex Fridman Podcast #252
- [Video clip](#)

Recursive effects

Dictionary

Definitions from [Oxford Languages](#) · [Learn more](#)

Search for a word



re·cur·sive

/rə'kɜrsɪv/

adjective

characterized by recurrence or repetition.

- **MATHEMATICS • LINGUISTICS**

relating to or involving the repeated application of a rule, definition, or procedure to successive results.

"this restriction ensures that the grammar is recursive"

- **COMPUTING**

relating to or involving a program or routine of which a part requires the application of the whole, so that its explicit interpretation requires in general many successive executions.

"a recursive subroutine"

Recursive effects = System Uncertainty

- Synonymous with “system uncertainty”?
- Understanding “how” component relate to the “whole system” - key concept fo SR&ED
- Simple example – using rockets
 - Concepts & Ideas to help guide claimants
- Some terms > insightful for claimants
 - E.g. Prior Art vs. Standard Practice

Feedback

- Do you think the new directives simplify the process?
- Any other ideas or suggestions?
- Email: admin@sredstakeholder.ca

4) Federal budget Apr. 7, 2022 – review of SR&ED program

- 2022 Budget page 63

Review of Tax Support to R&D and Intellectual Property

The Scientific Research and Experimental Development (SR&ED) program provides tax incentives to encourage Canadian businesses of all sizes and in all sectors to conduct R&D. The SR&ED program has been a cornerstone of Canada's innovation strategy. The government intends to undertake a review of the program, first to ensure that it is effective in encouraging R&D that benefits Canada, and second to explore opportunities to modernize and simplify it. Specifically, the review will examine whether changes to eligibility criteria would be warranted to ensure adequacy of support and improve overall program efficiency.

Patent box incentives?

As part of this review, the government will also consider whether the tax system can play a role in encouraging the development and retention of intellectual property stemming from R&D conducted in Canada. In particular, the government will consider, and seek views on, the suitability of adopting a patent box regime in order to meet these objectives.

- Part III - We will discuss Quebec patent box incentives for examples & issues

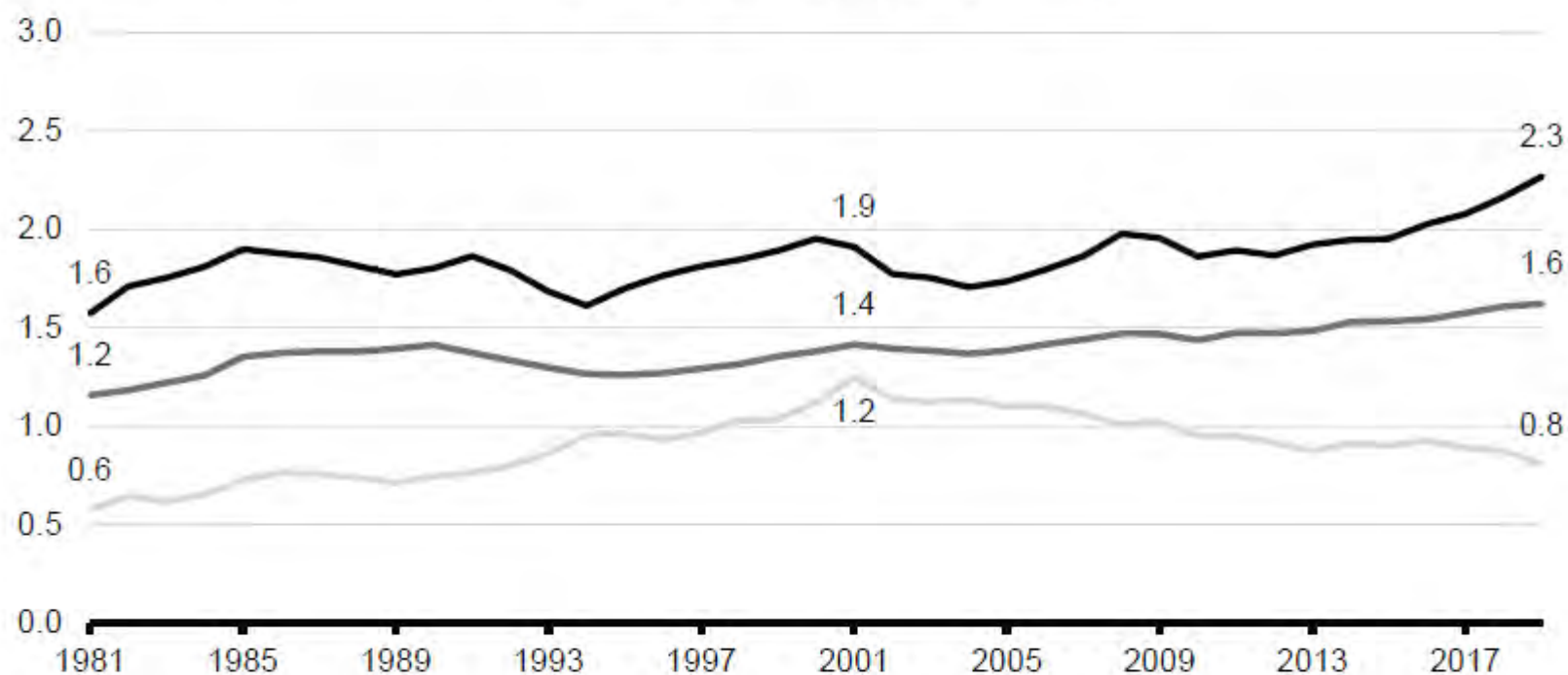
However, Canada currently ranks last in the G7 in R&D spending by businesses. This trend has to change.

Chart 2.3

Business R&D Relative to Peers

per cent of GDP

— Canada — United States — G7



Source: Organisation for Economic Co-operation and Development, Main Science and Technology Indicators.

5) CRA April 6, 2022 warning re. false SR&ED info



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du Canada

[Canada.ca](#) > [Canada Revenue Agency](#) > [CRA Newsroom](#)

Important reminder for businesses filing SR&ED claims

April 6, 2022

Ottawa, Ontario

Canada Revenue Agency

The Canada Revenue Agency (CRA) has observed a recent increase in Scientific Research and Experimental Development (SR&ED) claims containing false and/or fraudulent information. While the vast majority of claims filed for SR&ED tax incentives are compliant with filing requirements, the CRA is reminding you to make sure the information provided in your claim, including information submitted on your behalf by a representative, is valid.

What is SR&ED?

The SR&ED Tax Incentive Program is the largest Government of Canada program supporting research and development in Canada, providing more than \$3 billion in tax incentives to over 16,000 businesses annually. Depending on the size and type of business, SR&ED tax credits can be used in three ways:

- A non-refundable investment tax credit (ITC) that can be used to reduce taxes owing in the year;

Additional comments from New SR&ED Director General,

Lorraine Redekop

- As indicated in the message we issued on April 6, we have observed a recent increase in claims containing false and/or fraudulent information.
- In response to this increase, we've reviewed and updated our processes with regards to integrity in the SR&ED program, including the protection of SR&ED program data.
- Following this review, we are developing a revised approach to data management that balances transparency with the need to safeguard program integrity.

We are here to help you with your SR&ED claim

The CRA is committed to making it easier for eligible businesses to claim SR&ED tax incentives. Whether you are a new or returning claimant, a large or a small business, we can help you determine if your work is eligible. Use our [Self-Assessment and Learning Tool](#) to find out, up-front, whether your work is likely to qualify for SR&ED tax credits and to calculate your potential SR&ED claim amount. You can also request a free telephone [consultation](#) with a SR&ED specialist if you have questions about whether your work is eligible or how to submit a claim.

Before you submit your claim:

- Review all the information you are sending to the CRA, including information being submitted by a third party representative on your behalf. You are responsible for any mistakes, omissions, or false information in the claim, including information your representative submits.
- Verify that all the required supporting documents are included with your claim.

Submitting false information may have serious consequences

If you apply for the SR&ED Tax Incentive Program using false and/or fraudulent information, you will have to repay the amount to which you were not entitled and you may face serious consequences, including interest and penalties. Third parties who knowingly file false or overstated SR&ED claims on your behalf can have civil penalties imposed on them.

Remember: It's your responsibility to verify the information being submitted on your behalf and to keep documentation to support any claim you make.

If you suspect someone of providing false or fraudulent information to the CRA, you can report it online at canada.ca/taxes-leads or by calling the National Leads Centre at 1-866-809-6841. The CRA will take steps to protect your identity or you can provide information anonymously.

Contact us if you have any questions or need assistance. We are here to help!

Contacts

Media Relations

Canada Revenue Agency

613-948-8366

cra-arc.media@cra-arc.gc.ca



6) CRA SR&ED

Self Assessment Learning Tool
SREDStakeholder.CA
“SALT”

Nov 30, 2021 update

November 30, 2021 version

Previous version of the tool

Before November 2021, the SR&ED Self-Assessment and Learning Tool consisted of fillable PDF forms. It was updated to an online version to make it faster and easier to assess your eligibility. The PDF version of the tool should no longer be used since it will not receive any updates.



SR&EDStakeholder.ca



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SR&ED Self-Assessment and Learning Tool

Date: November 30, 2021

The Self-Assessment and Learning Tool (SALT) helps you understand how to prepare to apply for Scientific Research and Experimental Development (SR&ED) tax incentives.

The SALT helps you:

- understand the definition of SR&ED
- understand what kinds of work are considered SR&ED
- understand if your project might include SR&ED work
- estimate how much of your expenditures are considered SR&ED
- estimate the investment tax credits that you might be eligible for

Begin self-assessment

Legend for SR&ED eligibility indicators

- Positive – generally supportive
- Neutral – need proper explanations or could go either way
- Negative – typically counter to eligibility

Objectives & knowledge advancement

Fields marked with an asterisk (*) are required.

Assessing your project

* Are you expecting to, or did you, increase knowledge, or create/improve a technology as part of your project?

Yes

No

* What are you trying to do?

Select the option that best applies.

Develop a new device, method, or service

Improve a device, method, or service

Characterize a new compound or material

Determine how we could meet new regulations, or get a certification

Positive for eligibility

Neutral for eligibility

Previous

Next

Technological Uncertainty & Standard Practice

*** Why is this a problem for you?**

Maximum of 3 selections

- There was no solution/knowledge available publicly
- What was available at the beginning did not allow us to achieve our objective
- The device, equipment or method, that we acquired, did not work as intended
- We needed to develop new modules or components
- Solving the problem appeared beyond our existing capabilities, so we developed a workaround for our issue

*** Did you ever receive funding for your project from any other source? ?**


Yes

No

Previous

Next

Government Funding

* Did you ever receive funding for your project from any other source? 

Yes

No

* Please select a funding source

Select

Select

National Research Council Canada – Industrial Research Assistance Program (IRAP)

Natural Sciences and Engineering Research Council of Canada (NSERC)

MITACS

Other

Note: Involvement of listed groups may increase probability of eligibility

Timeline & status

Fields marked with an asterisk (*) are required.

Timeline

* What is the current status of your work?

- The work is ongoing
- The work is completed
- The work is planned to take place in the future
- The work has been placed on hold due to a lack of resources, or circumstances beyond our control
- The work was abandoned because once we understood what the problem was, we decided to change our approach (e.g. Upgraded materials, changed requirements, or omitted functionality)

Activities: + & - indicators

Project data and execution

* What activities did you conduct?

Maximum of 3 selections

- We developed prototypes and made iterative changes to the design based on test results
- We formulated a hypothesis or defined potential solutions to solve our problem/increase knowledge that were validated with a set of experiments
- Using the normal ranges of parameters on the available equipment/methods, we carried out tests and trials
- We modified existing methods/processes to fine tune and optimize the results based on novel understanding brought from our work
- We applied known industry or company practices when faced with the problem
- We hired someone knowledgeable to do the work for us

Previous

Proceed to my eligibility summary

Analysis: + & - indicators

* What kind of data or feedback did you collect?

Maximum of 3 selections

We did not collect data

We collected data from experiments/trials and fed back into it, or analysed it to draw conclusions

Once the end product was stable we released it for testing. We collected feedback on user experience

We carried out an analysis of existing data from the literature (meta analysis)

We collected user feedback while the project was ongoing to closely monitor tests and results

We continued to collect the data we normally collect during our process