

➤ April 2008

Letter from the SR&ED Corner

The *Scientific Research & Experimental Development* program has, over the past several months, received some high profile attention. So much so, that the *Minister of Finance* and the *Canada Revenue Agency (CRA)* went public and requested feedback from the taxpayer community on *SR&ED*. According to the latest issue of the *CRA* web-site, over 150 submissions had been received with 40 published for public reading.

CRA has undertaken some high profile presentation with targeted meeting or conferences in Edmonton, Vancouver and at the APFF meeting in Montreal. A new form was issued and an updated guide was published. The *CRA* web-site trumpeted important improvements to the administration of the program. There has been much talked about to-date.

All of this activity has led to expectation of change and improvement. The Federal budget, at one level, did not disappoint. *SR&ED* was an item. This in itself was special. However, for most companies, there was little benefit.

This budget is to be incorporated on a pro-rata basis as of 26 Feb 2008 with the new measures applicable to companies with a fiscal year ending after this date.

A question remains, as to when or if the provinces which had previously used similar factors to calculate their *SR&ED* contribution will follow suit and adjust their law accordingly. Or will BC maintain its cap at \$2 million and not follow suit.

Stay tuned for answers to the above and many new questions.

- **Hot off the press: Ontario and Quebec in the 2008 Budgets have synchronized with Canada as to the expenditure cap. Ontario has also switched to the new Taxable Income grind down range.**



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THE FEDERAL BUDGET 2008 / SR&ED

The principal items affecting the *SR&ED* are all positive. They potentially increase access to cash rather than non-refundable credits.

Increase of the expenditure cap to \$3 million

Canadian Controlled Private Corporations (CCPC) with under \$400,000 in taxable income in the previous year can potentially increase the refund at the limit to \$1,050,000 from \$780,000.

Increase in the Taxable Income grind-down range to \$700,000

The \$100,000 increase, although interesting, is of minor benefit.

Increase in the Taxable Capital grind-down range to \$50 million

The increase of this factor from \$15 million should make for access to more refundability.

Opening the door to *SR&ED* undertaken outside of Canada

Where *SR&ED* activities are carried out outside of Canada by Canadian resident employees in support of a project undertaken in Canada, it is now possible to claim a tax credit. The foreign salaries are capped at 10% of the Canadian salaries claimed.