

Helping you get back to business

Scientific Research & Experimental
Development (SR&ED) program





What is SR&ED?

The SR&ED program is the largest source of R&D funding in Canada. Its purpose is to reward those that attempt to achieve scientific or technical advancement and is available to a wide range of industries, including Agri-food processing, Cannabis, Information and Communication Technology, Life Sciences and Advanced Manufacturing.



Who qualifies?

Companies can qualify for SR&ED credits if they undertake a project that

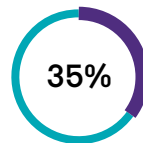
- addresses an uncertainty that could not be resolved using standard practices;
- leads to an advancement by generating new information or improves one's understanding of scientific relations or technology; and
- includes a planned methodology with appropriate documentation.



How do SR&ED credits work?

Eligible SR&ED expenditures (wages and salaries of R&D personnel, overhead costs, materials, and R&D-related contracts) may receive an SR&ED investment tax credit to offset taxes payable or receive a potential cash refund. Canadian-controlled Private Corporations that meet certain thresholds receive a 35% fully refundable tax credit on their SR&ED expenses.

Federal SR&ED tax credit rates



SR&ED Benefits

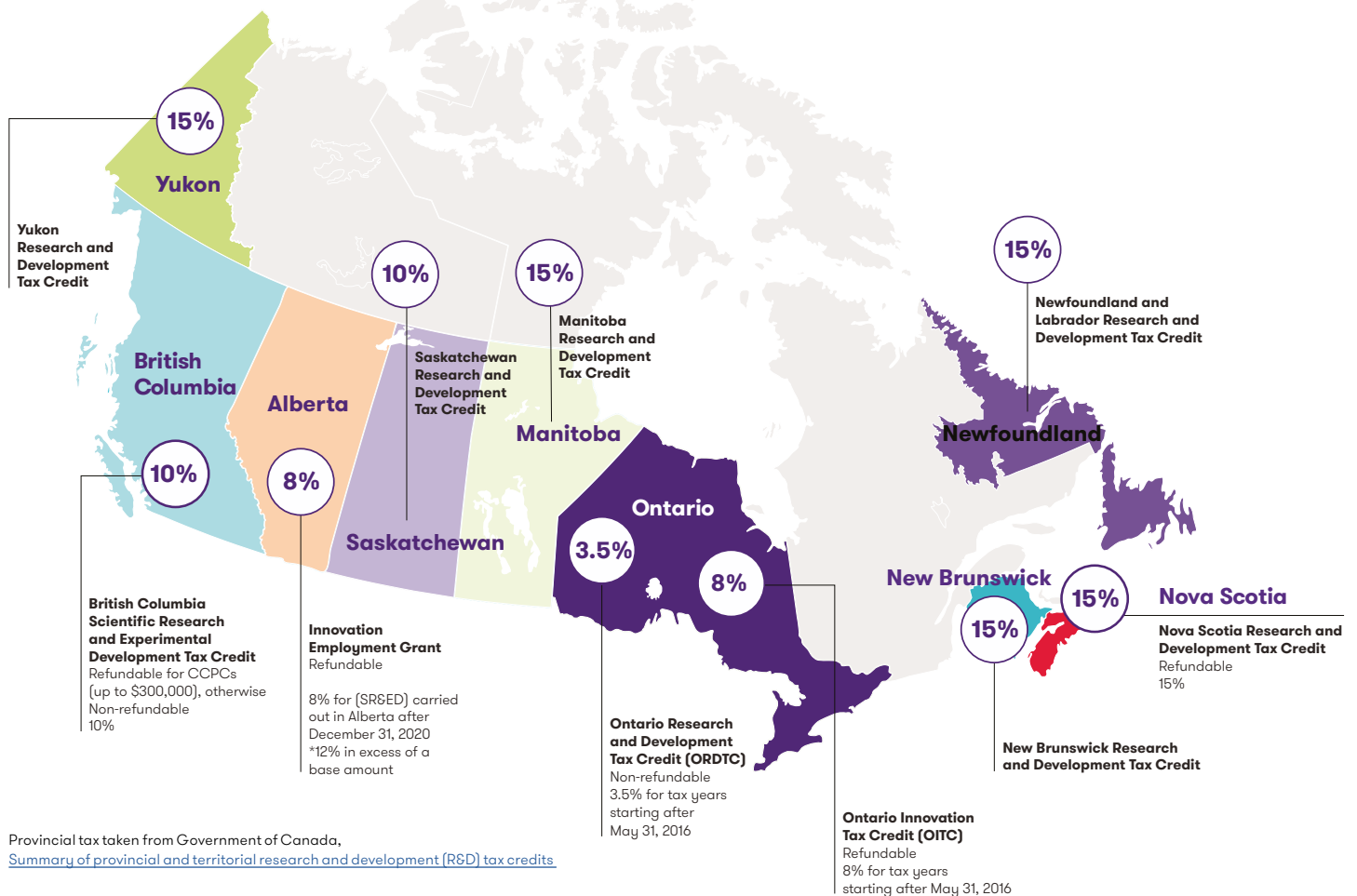


Foreign/Public/Other

SR&ED Benefits

Provincial tax credits

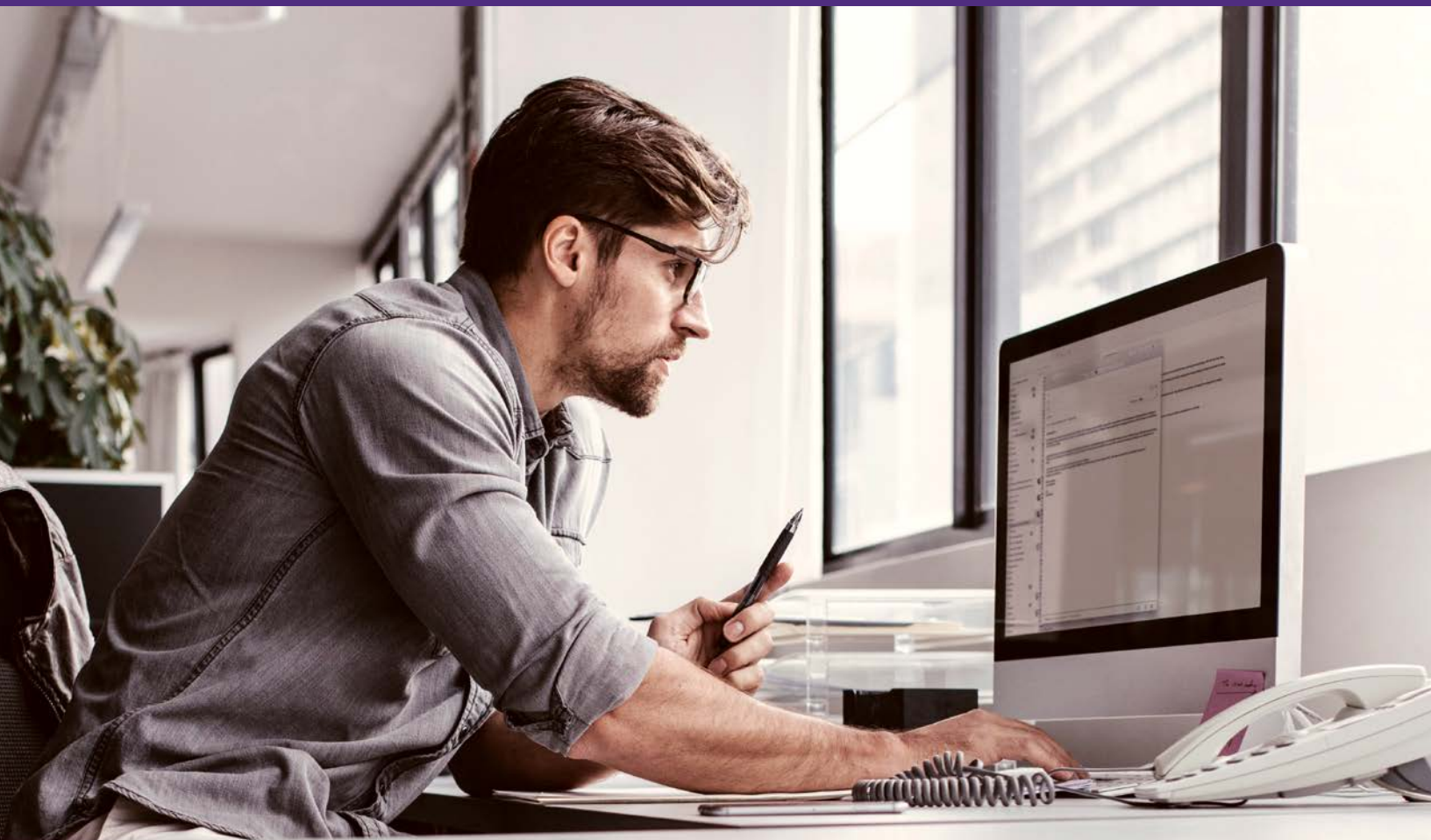
Qualifying corporations may receive provincial tax credits on SR&ED eligible expenditures in addition to the federal Investment Tax Credit (ITC) of 15% (of which up to 40% may be refundable).



The background features a dark purple color with several overlapping, lighter purple circular bands that create a sense of depth and movement. The text is centered within one of these bands.

Industry examples

Information and Communication Technology



The Information and Communications Technologies (ICT) sector is the most research and development-intensive industry in Canada, accounting for 35 percent of private sector R&D¹, and with good reason. Because success in the ICT sector relies so heavily on the rapid adoption of technology, innovation—and the integration of new ideas—is essential for any organization hoping to remain competitive.

Areas of eligibility can include:



System re-architecture to incrementally reduce system latencies, memory footprint, resource utilization, bandwidth or processing times



Signal processing for sensors and devices in production operations



Development of advanced gaming, financial or health platforms/frameworks



Image recognition technology development



Improvements to application extensibility, security or reliability



Mobile app development



Development of middleware or custom software layers for seamless integration and interoperability with third-party systems

Advanced Manufacturing





Projects considered SR&ED eligible include:



Modifications to existing manufacturing equipment that resulted in reduced cycle time, improved part quality and increased line capacity



Developments in new sensor technology that enhanced measurement accuracy



Development of automation processes that achieved specified tolerances and material objectives



Improvements in technology that greatly reduced waste, scrap and operator intervention

3.7% Advanced Manufacturing growth GDP²

4th Did Largest commercial vehicle manufacturer in the world³ you know?

40% of Cdn Manufacturers use Advanced Manufacturing Technologies⁴

Did you know?

- Rarely are SR&ED claims lab-based research. In fact, most claims encompass shop-floor development or incremental improvements to products or processes performed by small and medium-sized companies.
- Your project can span multiple years, and qualify for SR&ED credits. Manufacturers can typically recover costs over the past 2 fiscal years.

Agriculture and Food Processing



As an economic driver here at home, the Canadian agriculture and agri-food system contributed more than \$143 billion to our GDP, and employed more Canadians than any other manufacturing industry in Canada in 2019. “Science and innovation are critical to maintaining the profitability, competitiveness, and sustainability of Canada’s agriculture and agri-food sector, and are therefore fundamental to Canada’s economic growth agenda.”⁵

R&D investment is key to continued sector growth and overcoming these labour productivity challenges across the country. Successful project would include:



Development of automated food processing methods



Development of waste recycling processes or innovative new uses for by-products



Physicochemical and rheology research on food



Redevelopment of equipment to reduce environmental impact



Development or improvement of processes to increase crop yield



Experimentation on plant or animal breeding

Life Sciences



The Canadian Life Sciences sector is a major contributor to Canada's innovation landscape. Hospitals, medicine professional corporations, contract research labs, pharmaceutical companies and biotech companies each play a key role in improving health care delivery and patient care in Canada. There is an expectation for high revenue growth over the next five years. "By 2021, the number of firms forecasting revenues between \$0-\$1 Million was 22%, and the proportion forecasting revenues above \$10 Million was 45%, a growth of 31 percentage points."⁶

Examples of eligible projects

We assist clients across various industries including hospitals, medical device manufacturers, pharmaceutical companies, independent researchers and contract research organizations. We have a team of experienced scientists and engineers that understand your research and technology and work with you to identify and submit your claims. Examples of typical projects include:



Evaluation of the safety and efficacy of a drug



Identification and development of a new or improved pharmaceutical, or biological agent



Design and development of a new medical device



Exploration of bio-equivalency between drugs



Evaluation of a treatment program to improve patient outcomes



Meta-analysis evaluation to develop new knowledge

Did you know?

- Clinical trials performed in Canada are often eligible for the SR&ED program—including Phase I (human safety trials), Phase II (early efficacy trials) and Phase III (expanded therapeutic trials).
- Medical and clinical research that is funded by grants or external sponsors (such as pharmaceutical companies or universities) can still be eligible for SR&ED.

Cannabis



Since the Cannabis Act was federally adopted on October 17, 2018, the legalization of marijuana has resulted in a billion-dollar industry, with over 500 licenced cultivators, processors or retailers. In this young and rapidly-changing industry, large and small players are vying to disrupt the marketplace—developing new recreational products, uncovering efficiencies and finding new ways to penetrate the medicinal market.

Sample projects in the Cannabis industry can include:



Development or improvement of processes to increase crop yield.



Development of automated processing technologies



Cannabinoid extraction process development



Clinical trials or medicinal efficacy studies



Formulation development of extracts and edibles



SR&ED success

Navigating the SR&ED application process can be challenging—which is why we're here to help. Our team of experienced engineers and scientists has helped countless companies in the cannabis sector submit successful claims for a variety of projects.

To learn more about Canada's SR&ED tax credit and how Grant Thornton can help your organization realize the full benefits of the program, please contact:

Christina Albert

Partner, Tax Services

T +1 416 777 6105

E christina.albert@ca.gt.com

Naren Balakrishnan

Partner, Tax Services

T +1 416 607 2603

E naren.balakrishnan@ca.gt.com

- 1 http://itac.ca/uploads/research/the_issue_the_importance_of_sranded_to_ict_randd.pdf
- 2 <https://www.investcanada.ca/industries/advanced-manufacturing>
- 3 <https://www.investcanada.ca/industries/advanced-manufacturing>
- 4 <https://www.investcanada.ca/industries/advanced-manufacturing>
- 5 https://multimedia.agr.gc.ca/pack/pdf/dp-pm_2021-22-eng.pdf#:~:text=The%20Canadian%20agriculture%20and%20agri-food%20sector%20is%20a,Canadian%20agriculture%2C%20agri-food%2C%20and%20seafood%20exports%20in%202019
- 6 <http://www.biotech.ca/industry-data/>



DoaneGrantThornton.ca

Assurance | Tax | Advisory

© 2024 Doane Grant Thornton LLP. A Canadian Member of Grant Thornton International Ltd. All rights reserved.

About Grant Thornton LLP in Canada

Doane Grant Thornton LLP is a leading Canadian accounting and advisory firm providing accounting, assurance, tax, and advisory services to private and public organizations. We help dynamic organizations unlock their potential for growth by providing meaningful, actionable advice through a broad range of services. Doane Grant Thornton LLP is a Canadian member of Grant Thornton International Ltd, whose member and correspondent firms operate in more than 130 countries worldwide. A listing of Doane Grant Thornton offices and contact information can be found at: www.DoaneGrantThornton.ca.