

How your business could immediately benefit from the SR&ED credit

It's a struggle most small businesses know all too well.

You've experienced some success, but there's another goal on the horizon that you want to stretch to meet. To reach that next level, you'll need to refine your processes, polish your offering, and set your company up to deliver on a bigger stage. Even if you already have the vision and work ethic to take you there, there's a very real obstacle that you'll inevitably face: How do you responsibly fund research and development for further growth, without harming your current financial success?

What is the SR&ED credit?

The Scientific Research and Experimental Development (SR&ED) program is a federal tax incentive designed to encourage Canadian businesses to conduct research and development (R&D) in Canada.

The SR&ED program provides approximately \$3 billion annually to businesses of all types and sizes in virtually all sectors. Generally, a Canadian-Controlled Private Corporation (CCPC) can earn a refundable tax credit at the enhanced rate of 35% on up to \$3 million of qualified SR&ED expenditures. For all other businesses, the credit is limited to 15% of the qualifying expenditures.

Is your business located in Ontario? You can receive even further incentive with the Ontario Innovation Tax Credit (OITC) (up to 12%), and the non-refundable Ontario Research and Development Tax Credit (ORDTC) (up to 5.5%). Both these incentives act as a complement to

the federal SR&ED program. All three of these programs are administered by Canada Revenue Agency and have similar eligibility criteria.

The combined provincial and federal R&D credits are one of the most generous R&D incentive programs in the world. An Ontario based CCPC with qualifying R&D salaries of \$100,000, can expect to receive over \$60,000 in refundable and \$5,000 in non-refundable credits for a combined total of over \$65,000.

Approximately 20,000 businesses benefit from the SR&ED program on an annual basis and more than two thirds of those are small businesses.

What is the credit for?

The SR&ED tax incentive program provides tax incentives for the direct in-house costs of performing eligible R&D work in Canada, including:

- Experimental development
- Applied research
- Basic research
- Certain types of work in support of experimental development, applied research and basic research, including: engineering, design, operations research, mathematical analysis, computer programming, data collection and testing.

Eligible expenses include:

- Wages and salaries of employees and contractor directly engaged in the eligible R&D work
- Overhead expenditures
- Materials

Do I qualify for the SR&ED?

At Zeifmans, many of our small business clients are surprised to learn that they qualify for the SR&ED credit. Most common industries benefiting from this program include manufacturing, healthcare, technology and software and food and beverage. Designed to support small business growth, the qualifications for the credit are relatively simple:

Your business can qualify for the SR&ED if your targeted growth activities involve one of the following:

- Basic research: Work undertaken for the advancement of scientific knowledge without a specific practical application in view.
- Applied research: Work undertaken for the advancement of scientific knowledge with a specific practical application in view.

- Experimental development: Work undertaken for the purpose of achieving technological advancement that creates new, or improves existing materials, devices, products or processes. This can include incremental improvements.

It's worth noting that most of the SR&ED credit claims pertain to experimental development. This last category is an important one, given that its broad description allows for a number of applications across various business functions.

If you're ready for the next phase of growth for your business, reach out to the Zeifmans team to talk about how the SR&ED credit could be the key to your future success - your Zeifmans team will also be able to support you through the SR&ED application process.

Let's Talk

Contact a member of Zeifmans' Technology & StartUps team today:

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About Zeifmans Technology & Startups practice:

Think of our Technology & Startups team as your personal trusted business advisor. And as a key member of your team, we want to see your company thrive at every stage of growth. We will work with you 1:1 to develop a tailored solution, giving advice to overcome any challenge you face and sticking with you to whatever transition comes next for your startup. At Zeifmans, we go beyond traditional accounting services to offer strategic financial guidance, ensuring that your team is taking advantage of every single opportunity available to you.

From day one of your startup, through to the day of your IPO and beyond, the Zeifmans team is equipped to offer a wide range of services to technology and startup businesses in Toronto and throughout the world.

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