

SR&ED

An Overview

Atticus Management



SR&ED – An Overview



Table of Contents

Why is it important to identify Canadian SR&ED activities?	3
What is SR&ED?	4
What is experimental development?	5
The three criterion for SR&ED	6
Technological Uncertainties	7 – 9
Technological Advancement	10 – 13
What is technological content?	14
SR&ED Project Overview	15 – 22
Type of qualifying activities	23 – 25
Examples of eligible projects	26 – 29

For more information and to identify “next steps,” please contact **Steven Parker**, President at Atticus Management
Tel: 416.465.1300, or Email directly at sparker@AtticusManagement.com

SR&ED – An Overview



Why is it important to identify Canadian SR&ED activities

- There are special tax benefits available to Canadian companies performing SR&ED.
- Tax credits equal to between 20% and 41 1/2% of expenditures.
- Some credits are refundable, even where no tax has been paid.
- Unlimited deferral of SR&ED deduction.

SR&ED – An Overview



What is SR&ED?

- Systematic search carried out in a field of science or technology by means of experimentation or analysis.
- Basic research, applied research and experimental development.

SR&ED – An Overview



What is experimental development?

- Work undertaken for the purpose of achieving technological advancement for the purpose of creating new, or improving existing, materials, devices, products or processes including incremental improvements.

SR&ED – An Overview



The three criterion for SR&ED

- It is difficult to measure when SR&ED is occurring – must look for the existence of the three criterion within a project.
- Technological uncertainty
- Technological advancement
- Technological content

SR&ED – An Overview



What is technological uncertainty?

- TU exists when the solution, or the method of arriving at a solution to a problem, is not readily apparent to appropriately skilled and experienced personnel after they have analyzed the problem using generally known techniques.

SR&ED – An Overview



Example of technological uncertainty

- Our method of manufacturing parts would not allow us to meet customer needs as to quality and volume.
A technology was not available to improve quality or increase volume.
- Our competitor can make the product in larger dimensions, and we don't know how they do that.

SR&ED – An Overview



Technological uncertainties –in general

- Do not relate to business management processes.
- Do not relate to user acceptance.
- Are not merely matters of complexity.
- Are not the possibility of customer changes to specifications.

SR&ED – An Overview



Examples of technological advancement

- A new approach to coating parts was discovered through an experimental process. This approach advances our understanding of coating technologies.
- A device used in achieving high speed production of parts was developed through the analysis of a series of prototypes.

SR&ED – An Overview



Examples of technological advancement

- A plastic engine was developed through an experimental process. The technology that was developed was previously unknown.

SR&ED – An Overview



Technological advancements –in general

- Are not new product features.
- Are not the use of a new technology.
- Do not arise out of routine development.

SR&ED – An Overview



What is technological content?

- A systematic investigation or search.
- Work done by competent people.
- Work documented so experiments are repeatable.

SR&ED – An Overview



What is an SR&ED project?

- A project is a set of interrelated activities that are necessary to achieve a technological advance, that are necessary to overcome technological uncertainty, that are pursued through experimentation or analysis, that are performed by competent individuals.

SR&ED – An Overview



Example of an SR&ED project

- “Development of a methodology to achieve high volume manufacturing of titanium coated products”
- The same project, with an inappropriate descriptions, might be entitled “Titanium Golf Tees”

SR&ED – An Overview



Example of an eligible SR&ED project

- A company wishes to market titanium coated golf tees. It does not know how to coat this product in a high volume manufacturing environment. The tee is difficult to hold and to coat evenly. The company needs to produce 10,000 units per hour to make a profit. A method of achieving all of these objectives must be developed experimentally.

SR&ED – An Overview



Example of an ineligible SR&ED project

- A company currently makes titanium coated ball markers and wishes to manufacture titanium coated tees. The process for tees will differ slightly from ball markers and the staff know what modifications are needed to make the process meet the requirements.

SR&ED – An Overview



Activities within an eligible project

- Activities that would include a literature searches, product reviews, conceptualization of problem solutions, prototype building and testing, analysis of results, further testing and analysis, and drawing of conclusions.

SR&ED – An Overview



Activities within an ineligible project

- Activities that include a review of customer requirements, product reviews, design fabrication and testing without experimentation or analysis.

SR&ED – An Overview



Example of an SR&ED project –technological advancement

- An eligible advancement –development of a production method that increased production rates and product consistency.
- Not an advancement –improving user functionality by adding “bells and whistles” where the work was not experimental or analytical in nature.

SR&ED – An Overview



Example of an SR&ED project –technological uncertainty

- Uncertainty might be that the effect of changing the method of coating was not predictable.
- Not a technological uncertainty –It was uncertain as to what type of finish the customer would buy.

SR&ED – An Overview



Types of qualifying activities

- Technological feasibility studies.
- Research into techniques, methods and status of the technology as it supports the intended technological advance.
- Review of existing, emerging and competing technologies that are required.

SR&ED – An Overview



Types of qualifying activities

- Preparation of technical specifications to the extent they are relevant in defining the advancement sought and the uncertainty to be addressed.
- Analysis and design.
- Documentation of research activities.
- Project planning and control.

SR&ED – An Overview



Examples of eligible projects

- Improving window hardware and locking mechanisms.
- Developing a process for recycling solid waste materials.
- Developing an automated guidance system for underground mining vehicles.
- Developing software interfaces for bar code readers.

SR&ED – An Overview



Examples of eligible projects

- Developing technology to support a general ledger application.
- Developing an automated computer vision inspection system.
- Developing a landing gear control unit.
- Developing a new tool and die manufacturing process.

SR&ED – An Overview



Examples of eligible projects

- Developing a process to improve part production characteristics.
- Developing a new computer operating system.
- Developing a new type of foam material.
- Developing coatings for rust protection.
- Developing a new way of analyzing blood.
- Developing new hydroponic tomato varieties.



Atticus Management

THANK YOU

For more information and to identify “next steps,” please contact **Steven Parker**, President at Atticus Management
Tel: 416.465.1300, or Email directly at [**sparker@AtticusManagement.com**](mailto:sparker@AtticusManagement.com)

