



Scientific Research and Experimental Development (SR&ED) Tax Credit

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A photograph of several stacks of Canadian coins, including one-dollar and two-dollar coins, arranged in a row on a reflective surface. The coins are silver and gold in color. The image is framed by a dark blue L-shaped border in the top-left corner.

Federal SR&ED Program

- Investment Tax Credits
 - 20% basic credit
 - 35% enhanced refundable credit for certain CCPC's
- Deduction Pool
 - Current & Capital SR&ED Expenditures
 - Indefinite carry forward of unused deductions

A photograph of several stacks of Canadian coins, including one-dollar and two-dollar coins, arranged on a reflective surface. The coins are silver and gold in color. The image is positioned on the left side of the slide, partially enclosed by a dark blue L-shaped border.

Making a Claim

- Federal
 - Form T661- SR&ED Claim – Science Meets Tax
 - Technical Explanation of Projects
 - Identification of Eligible Costs
 - Sch. 31- Tax Credit Claim
- Provincial Incentives
 - 10% BC Credit
 - Most Provinces are in 10-15% range

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Current CRA initiatives

- Budget Changes
- Small business action plan
- New T661 form

A photograph of several stacks of Canadian coins, including one-dollar and two-dollar coins, arranged in a row on a reflective surface. The coins are silver and gold in color. The image is framed by a dark blue L-shaped border in the top-left corner.

New T661 form

- For year ends starting Jan. 2009
- Changes:
 - Technical submission no longer separate
 - Word limit
 - All projects (not 20 largest)
 - Text only



Eligible Expenditures?

- Labour
- Materials
- Contractors
- 3rd Party Payments
- Overheads – actual incremental or proxy
- SR&ED Capital

A stack of Canadian coins, including a 2001 one-dollar coin, is shown on a reflective surface. The coins are arranged in a slightly curved line, with the top of each coin visible. The background is a plain, light color.

Eligible Activities?

- Systematic investigation or search carried out in a field of science or technology through experimentation or analysis
- Includes
 - Basic Research
 - Applied Research
 - Experimental Development
 - Support Activities

Experimental Development

- Work undertaken for the purpose of achieving technological advancement to create new—or to improve existing—materials, devices, products or processes, including incremental improvements
- Most SR&ED claims are for experimental development plus the support activities





Support Activities

- Work which is commensurate with the needs, and directly in support of the work described above including:
 - Engineering
 - Design
 - Data collection
 - Testing
 - Mathematical analysis
 - Computer programming
 - Operations research
 - Psychological research



Advancement

- ‘Information that advances our understanding of scientific relations or technologies’
- Generally embodied in:
 - New or improved product
 - New or improved process
- Incremental improvements & failures are ok
- Technological Risks
 - Uncertain if or how to achieve objective
 - Cannot be determined with publicly available scientific/technological knowledge



Content

- **Qualified People – You!**
 - Relevant experience and training
- **Systematic Investigation**
 - Hypothesis, testing by experimentation or analysis to the statement of conclusions
- **Documentation**
 - Hold on to what you have!
 - Help us help you!



Excluded Work

- Market research / Sales promotion
- Quality control / Routine testing
- Social Sciences / Humanities
- Prospecting, exploring or drilling for—
or producing—minerals, petroleum or
natural gas
- Commercial production or use
- Style Changes
- Routine data collection
- Canadian source contract payments or
assistance reduce size of the claim

Experimental Production

- SR&ED definition excludes commercial production
- Manufacturing industry requires trials in production setting – trial costs significant
- Application Paper – CRA’s Policy
 - Experimental Production (EP)
 - Commercial Production with Experimental Development (CPED)
 - Incidental sales are ok - recapture
- Additional Policies for Specific Industries



Agribusiness – Plants / Crops

- Production of cultivars or seeds solely for commercial purposes vs. true trials
- Fertilizer, pesticides, herbicides, fungicides may be materials consumed – Is it in conjunction / simultaneous with commercial production?
- R&D done by industry associations – fees / check offs / levies – only the R&D portion of fees can be claimed



Food Products / Consumer Goods

- Development of a new product including modification of equipment, development of new formulations and resolution of significant manufacturing issues identified on the shop floor
- Development of equipment to be used by food products / consumer goods companies





Finding SR&ED

- New products, processes or improvements
- Capital asset additions – cost of addition does not have to be significant
- Engineering or qualified technical personnel employed
- Use of consulting engineering firm (those firms can claim as well)
- Don't forget the environment!

The Science Behind Your Products

Which part is SR&ED?





The Science Behind Your Products

- Viticulture
- Enology
- Sustainability



Viticulture

- CRA Policy for “growing” – good science & documentation
- Growing issues
 - Examples:
 - Canopy Management
 - Irrigation
 - Site Selection
 - Variety/Clone Selection
 - Floor Management
- Vineyard Nutrition



Viticulture

- Sample current BCWGC research topics identified:
 - Nutritional requirements for maintenance of healthy vines & high quality grapes
 - Estimation of smoke contamination
 - Evaluating rootstocks for maintaining vine productivity in nematode-infested soil

Enology

- Achieving consistency for existing products
- New product development





Enology

- Examples – BCWGC Survey:
 - Special purpose yeast or bacteria
 - Enzyme technology to improve quality
 - Resveratrol content
 - Sanitation technology to prevent wine spoilage
 - Acidity adjustment
 - Aroma retention
 - Ageing of B.C. Wines

Sustainability

- Low inputs vs. quality outputs
- Carbon credits – do they apply to your work?





Discussion

- Questions
- Comments