



cutting through complexity

What's next with SR&ED?

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Ontario Environment Industry Association



Learning Objectives

At the end of this session you will understand:

- **the SR&ED and other tax incentive programs available; and**
- **the 2012 and 2013 budget changes to SR&ED.**

Agenda

SR&ED Tax Credit

2012 and 2013 Federal Budget Changes

Business Research Institute Tax Credit

Interactive Digital Media Credits

Issues with Other Incentives

The Funding Portal – Accessing 4,064 Other Government Incentives

SR&ED Tax Credits

- **Scientific Research & Experimental Development (SR&ED)**
- **Benefits for small and medium sized Ontario CCPC businesses are refundable credits of 45% (62% refundable including overhead + 6% non-refundable ORDTC)**
- **For large Ontario companies – 24%, which equals 39% including overhead (starting in 2014 the total credit equals 20%, which equals 29% including overhead)**
 - **Additional provincial credits:**

■ British Columbia	10%
■ Alberta	10%
■ Saskatchewan	15%
■ Manitoba	20%
■ Quebec	37.5%
■ New Brunswick, Nova Scotia, Newfoundland	15%
- **Eligibility is still an issue**
- **Administration is improving significantly as is cash flow**

2012 and 2013 Federal Budget – “more direct support”

- **\$1.3 billion redirected from Flagship SR&ED program, mainly to direct support programs, over the next 5 years**
- **\$1.1B for direct R&D support for various new or existing programs such as:**
 - \$110M increase to IRAP in each of the next 5 years
 - \$67M National Research Council
 - \$500M for venture capital initiatives

2012 and 2013 Federal Budget – 26% less benefits

- **Reduction of general tax credit rate:**
 - The general SR&ED investment tax credit rate will be reduced from 20% to 15%;
 - Effective January 1, 2014;
 - Rate unchanged for CCPC's eligible for 35% refundable ITC rate.
- **Capital expenditures:**
 - Remove capital expenditures and lease payments from the base of eligible expenditures for expenditures incurred in 2014 and subsequent years. All other expenditures such as salary and wages, materials, overhead expenses and contract payments remain eligible.
- **Proxy Overhead Calculation**
 - Reduce the prescribed proxy amount from 65% to 60% (2013) to 55% (2014) of direct labour costs.
- **Arm's Length and Third Party Contract Payments**
 - Only 80% of the contract and third party payments to be used for purposes of calculating the SR&ED tax credits effective January 1, 2013.

CRA Policy – New Eligibility Questions

- 1 Was there a **scientific or a technological uncertainty** - an uncertainty that could not be removed by **standard practice**?
- 2 Did the effort involve formulating **hypotheses** specifically aimed at reducing or eliminating that uncertainty?
- 3 Was the adopted procedure consistent with the total discipline of the **scientific method**, including formulating, testing, and modifying the hypotheses?
- 4 Did the process result in a **scientific or a technological advancement**?
- 5 Was a record of the hypotheses tested and the results kept as the work progressed?

Business Research Institute Tax Credit (OBRITC)

- **Often overlooked**
- **20% additional refundable tax credit for expenses incurred in Ontario under contract with an eligible research institute (ERI)**
 - Universities, colleges, hospitals, Ontario Centres of Excellence
- **Capped at \$20M annually in expenditures**
- **Is stackable with SR&ED tax credit**
- **For companies not in taxable situation, OBRITC is refundable**
- **Most other provinces have extra incentives for research with Universities**

Digital Media Tax Credit (OIDMTC)

- **Ontario Interactive Digital Media Tax Credit (“OIDMTC”)**
 - Refundable credit to promote development of digital media industry
 - Includes products designed to educate, inform or entertain end-users using at least two of text, sound or images
 - Digital products must not be used primarily to present, promote or sell the products or services of the corporation
 - Up to \$100k in marketing costs can be included per product

Examples of eligible Digital Media Products:

- Interactive Web sites
- E-learning and educational products
- Simulation applications with high user interactivity
- Video games, cell phone games, PDA software

BC, Quebec, Maritimes have similar credits

Issues with Other Incentives

- **SDTC, IRAP, others often structure their funding as forgivable loans:**
 - Can reduce SR&ED Credits
 - Timing problems
 - Uncertainty in financial statement

The Funding Portal - Accessing 4,064 Other Government Incentives

- [The Funding Portal](#) will search and access the most relevant (of approximately 4,067) government funding programs and helps streamline the application process.
- With the government moving to provide more direct funding through grants, KPMG's new relationship with [The Funding Portal](#) may help clients secure government funding.

The Funding Portal

The screenshot displays the homepage of 'THE FUNDING PORTAL', Canada's largest source for funding. The header includes navigation links (HOME, ABOUT, SERVICES, SHOPPING CART, LEARN, CONTACT, BLOG, SITE MAP) and utility links (How to use the Portal, Request Expert Consultation, Français, Register, Login). A search bar and three service options are visible: 'Search for funding or use SearchService™', 'Purchase a FundingSources™ report', and 'Use our Ask-an-Expert service'. A secondary navigation bar lists 'HOME', 'ABOUT', 'SERVICES', 'SHOPPING CART', 'LEARN', 'CONTACT', 'BLOG', and 'SITE MAP'.

Key content areas include:

- Require Expert Assistance?**: A section featuring David Regan, a Chartered Accountant with 18 years of experience, offering expert assistance for funding applications.
- Find \$28,496,605,933 through 4,067 funding sources.**: A central banner highlighting the portal's access to government and private funding programs.
- Fast track to The Funding Portal's Preferred Service Providers—Get a referral today!**: A list of preferred providers including KPMG (Preferred Tax, Audit & Accounting Provider), espresso CAPITAL (SR&ED Lines of Credit and S&S Revenue Loans), and LW LABERGE WEINSTEIN (Preferred Legal Services Provider).
- PURCHASE**: A large section with three columns:
 - LEARN**: Includes 'LEARN how to find and secure funding on the Portal', 'MEET the funding experts who will assist you with your application', and 'WATCH The Funding Portal TV to get the latest funding news'.
 - ENGAGE**: Includes 'SUBSCRIBE to our free weekly newsletter to receive the latest funding announcements', 'RECEIVE industry-specific, to-the-minute RSS Alerts', and 'JOIN our online community to interact with other applicants and funders'.
 - PURCHASE**: Includes 'REVIEW our competitive service fees', 'REQUEST an expert consultation to identify the best funding programs for your needs', and 'PURCHASE our concierge services to improve your funding opportunities'.
- Expert Funding Services**: A section with links for 'Ask-a-Funding-Expert', 'Apply for It', and 'Score It'.
- Data & Analytics Reports**: A section offering reports on Canada's \$24 billion government funding marketplace.
- The Funding Summit**: A section for Canada's premier event to discuss the role of funding in an innovation economy.
- Private Label Solutions**: A section for funders to deliver programs to the applicant community with cost-saving private label solutions.

At the bottom, there is a 'FUNDING PORTAL TICKER' and a progress bar for 'FOLLOW THE PORTAL'S FOUR STEPS TO GET FUNDING' (1 FIND IT, 2 APPLY FOR IT, 3 SCORE IT, 4 LEVERAGE IT).



Contact Us

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