

## 10 Tips for Planning your SR&ED Claim

A common problem with SR&ED claims is the last minute preparation of the claim. Companies spend too little time planning for the claim.

Claims are processed on the highest priority basis when they are filed “currently”, that is, with a corporation’s current tax filing. For most companies this return is due within 6 months of the fiscal year end.

### How do we plan ahead to make the SR&ED claim process easier at the end of the fiscal period?

1. At the outset of a project an evaluation determines if a project meets the three criteria of the SR&ED program, namely technological advancement; technological uncertainty; and content (experimental process with a documentation trail). If you are unable to make this determination in-house you should contact your tax advisor or a company like Paramount Refund Management Ltd., which specializes in SR&ED claims.
2. Make sure development staff have an understanding of eligible activities, e.g. attend Canada Revenue Agency (CRA) seminars, read the CRA guide, or call in a specialist to go over the criteria with the development staff.
3. Develop an SR&ED project plan - write down the advances you expect to make; how you plan to approach the development; and the options you might try if the first and most desirable route fails. Then make SR&ED an agenda item for all development meetings. Update the activities each meeting. Keep minutes.
4. Keep all prototypes, archived versions of software, plans, drawings, engineer or developer's notes - however informal, in an SR&ED file.
5. Write down the state-of-the-art of the technology at the time of your project. Include references such as suppliers contacted, industry associations, Internet sites checked, experts consulted, trade magazines, libraries, etc.
6. Have personnel account for time on various activities they perform. Break out time to differentiate between product development and SR&ED time. Accounting for time can be useful for much more than SR&ED claims.
7. Periodically note the issues that cause problems/concerns/difficulty in your development work. List any alternatives available to resolve them. SAVE these notes.
8. Keep track of when the company product development project began and finished. Then, also note SR&ED start and finish dates within the company project. It is important to realize that not all development activities are eligible within the CRA program. Standard product development activities are outside the SR&ED claim.
9. If your accounting system permits, set up an SR&ED account. Code all purchases and allocate portions of salaries from the time sheets to this account on an ongoing basis. Copy invoices to your SR&ED file.
10. Remember for CCPC's this could be a 35% to 73% investment.

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