

SR&ED Tax Credit Eligibility Self-Assessment Tool

Use this tool to determine if the research & development (R&D) work you did has a probability of meeting the SR&ED requirements. Complete the questions for **each project** that you have undertaken. You should focus on the R&D work performed during the tax year for which you are planning to make a claim.

The tool is intended for self-assessment and educational purposes only. You should file a claim for each project that gets an affirmative result.

Question 1

Are you carrying on a business in Canada? YES NO

...if answered **YES**, move on to Question 2

...if answered **NO**, requirements for SR&ED tax credit are not met

Question 2

Was the R&D work you performed on this project related to the business you were carrying on in Canada? YES NO

...if answered **YES**, move on to Question 3

...if answered **NO**, requirements for SR&ED tax credit are not met

Question 3

Was the R&D work on this project performed in Canada?

All of the work

Some of the work

None of the work

...if answered **All of the work**, move on to Question 4

...if answered **None of the work**, requirements for SR&ED tax credit are not met

...if answered **Some of the work**, see below and move on to Question 4:

All of the following restrictions apply to work performed outside Canada:

- Only expenses incurred after February 25, 2008, can be claimed.
- Only the expenses incurred for salaries or wages paid to the taxpayer's employees who carried on SR&ED work outside Canada can be claimed.
- Only 10% of the total salary or wages paid in respect of SR&ED carried on in Canada by the taxpayer can be claimed for work outside Canada.
- The SR&ED must be directly undertaken by the taxpayer and must be related to the business of the taxpayer.
- The employees must have been resident in Canada at the time the expense was incurred and the SR&ED carried on by the employees outside Canada must have been solely in support of SR&ED carried on in Canada.

Focus **only** on the work performed in Canada when responding to the rest of the questions as you must have eligible SR&ED performed in Canada to claim expenses for any SR&ED work performed outside Canada.

Question 4

Did the R&D work you performed on this project include any of the following activities?

- i. Market research or sales promotion
- ii. Quality control or routine testing of materials, devices, products or processes
- iii. Research in social sciences or humanities
- iv. Prospecting, exploring or drilling for, or producing, minerals, petroleum or natural gas
- v. Commercial production of a new or improved material, device, or product, or commercial use of a new or improved process
- vi. Style changes, or
- vii. Routine data collection

YES - All of the work

YES - Some of the work

NO - None of the work

...if answered **NO - None of the work**, move on to Question 5

...if answered **YES – All fo the work**, requirements for SR&ED tax credit are not met

...if answered **YES - Some of the work**, see below and move on to Question 5:

Activities listed in this question are specifically excluded by law, for the purposes of SR&ED. Refer to SR&ED eligibility requirements.

- It is important that you **do not claim any of the activities listed in this question**.
- Focus only on the work that does not include the activities listed in this question when responding to the rest of the questions.

Question 5

On this project were you attempting to develop a new, or improve an existing material, device, product, or process? **YES** **NO**

...if answered **YES**, move on to Question 6

...if answered **NO**, move on to Question 5a

Question 5a

On this project were you attempting to gain new scientific knowledge by advancing the current understanding of scientific principles, methodologies or relations? **YES** **NO**

...if answered **YES**, move on to Question 5b

...if answered **NO**, requirements for SR&ED tax credit are not met

Question 5b

Did you conduct a *systematic investigation*¹ through experimentation or analysis in your attempt to gain scientific knowledge? **YES** **NO**

...if answered **YES**, see below...

Self-assessment result

You have indicated that:

- You have carried on a business in Canada
- You have performed work that is related to your business
- You have performed the work in Canada
- You have attempted to gain new scientific knowledge.
- You conducted a systematic investigation¹ through experimentation or analysis

Therefore the work you have done would fall within the realm of basic or applied research. There is a good probability of the project meeting SR&ED requirements. You should file a claim for this project.

Question 6

Did the work you performed attempt to achieve a *technological advancement*²? **YES** **NO**

...if answered **YES**, move on to Question 7
...if answered **NO**, requirements for SR&ED tax credit are not met

Question 7

Did you have to overcome *technological obstacles*³ to achieve your technological advancements?

YES **NO**
...if answered **YES**, move on to Question 8
...if answered **NO**, requirements for SR&ED tax credit are not met

Question 8

Did you conduct a *systematic investigation*¹ through experimentation or analysis to overcome the technological obstacles encountered? **YES** **NO**

...if answered **NO**, requirements for SR&ED tax credit are not met
...if answered **YES**, see below...

Self-assessment result

You have stated that:

- You carried on a business in Canada
- You performed work that is related to your business
- You performed the work in Canada
- You were attempting to develop a new or improve an existing material, device, product, or process
- You attempted to achieve a technological advancement

- You had to overcome technological obstacles to reach your development goals
- You conducted a *systematic investigation*¹ through experimentation or analysis

Therefore the work you have done would fall within the realm of experimental development. There is a good probability of the project meeting SR&ED requirements. You should file a claim for this project.

Glossary

systematic investigation¹ - A systematic investigation entails going from identification and articulation of the scientific or technological obstacles/uncertainties, hypothesis formulation, through testing by experimentation or analysis, to the statement of logical conclusions. In a business context, this requires that the objectives of the scientific research or experimental development work must be clearly stated at an early stage in the evolution of the project, and the method of addressing the scientific or technological obstacle/uncertainty by experimentation or analysis must be clearly set out.

The need for a systematic program of investigation does not preclude ideas that result from intuitive processes. Such ideas are hypotheses, however, and must still be tested through a systematic process before they can be accepted.

technological advancement² - The search carried out in the experimental development activity must generate information that advances your understanding of the underlying technologies. In a business context, this means that when a new or improved material, device, product or process is created, it must embody a technological advancement in order to be eligible. In other words the work must attempt to increase the technology base or level from where it was at the beginning of the project.

The technology base or level includes all the technological resources within the business as well as the knowledge on the technology that is publicly and readily available.

Regardless of success or failure, an attempt to gain a technological advancement is an essential criterion for the purposes of determining eligibility of experimental development work.

technological obstacles³ - Technological obstacles / uncertainties³ are shortcomings and/or limitations of the current state of technology that prevented you from developing the new or improved capability. This implies that you cannot know whether the technological goals can be achieved at all or the route by which they can be achieved without undertaking a program of experimental development. Technological obstacles / uncertainties are the technological problems or unknowns that cannot be overcome by applying the techniques, procedures and data that are generally accessible to competent professionals in the field.

Whether or not you were successful in achieving your technological goals is not sufficient to demonstrate that a technological obstacle / uncertainty exists. Uncertainty related to business or commercial success or failure is not a technological obstacle / uncertainty.