

Alberta SR&ED Tax Credit Update

For businesses planning to claim the Scientific Research and Experimental Development (SR&ED) investment tax credit, two tax measures need to be considered to maximize this tax credit.

Innovation Employment Grant

The Alberta 2021 Budget, tabled on February 25, included the Innovation Employment Grant (IEG), which encourages economic growth by supporting small and medium-sized businesses that invest in research and development (R&D) across sectors.

The IEG was designed to replace the Alberta SR&ED tax credit, which was eliminated starting in 2020. The IEG provides an 8 per cent payment on a corporation's base level R&D spending in a year. The base level spending is calculated as the average R&D spending of the corporation in Alberta over the previous two years. Corporations that spend over their base level will be eligible for a payment of 20 per cent on the incremental amount. Start-up businesses moving to Alberta could receive the 20 per cent payment on their entire first year qualifying R&D spending. The IEG applies on up to \$4 million in qualifying expenditures made in Alberta on an annual basis, on or after January 1, 2021.

The expenditure limit is phased out between \$10 million and \$50 million in taxable capital. Eligible R&D expenditures for purposes of the grant are the same as those that would qualify under the federal SR&ED program. To claim the IEG, eligible corporations must complete and file a new Schedule 29 to the Alberta Corporate Income Tax Return (AT1), in addition with the AT1 for the respective taxation year.

Alberta's approach on the IEG program is unique in Canada. It is designed to encourage new businesses and growth in innovation by providing a greater incentive for small and medium-sized firms that increase their spending on R&D. Although the IEG appears to target start-ups, it will also benefit businesses that have previously been leveraged on the federal SR&ED tax incentive program.



Let's Discuss

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Canada Emergency Wage Subsidy (CEWS)

In response to the COVID-19 pandemic, the Canada Emergency Wage Subsidy (CEWS) is one of the federal government's financial support programs to Canadian businesses. The purpose of CEWS is to help eligible employers keep or rehire employees. However, the question remains on how the CEWS affects SR&ED claims.

In CRA's Guidance issued on February 19, 2021, the Department of Finance Canada has indicated that assistance received under the CEWS reduces the amount of remuneration expenses eligible for other federal tax credits calculated on the same remuneration.

Connect with Crowe MacKay's SR&ED Tax Incentive Team

Scientific Research and Experimental Development (SR&ED) is a tax incentive program in Canada. This program is administered by the Canada Revenue Agency (CRA) and is designed to encourage Canadian businesses of all sizes and in all sectors to conduct Research and Development (R&D) in Canada. Crowe MacKay's SR&ED team is made up of Technical Specialists, Financial Specialists, and Tax Specialists, who have significant experience in the Engineering, Life Sciences, and Information Technology sectors.

Preparing your SR&ED Claim

Crowe MacKay's specialists understand the SR&ED claim process and what qualifies. Our professionals have the expertise to assist you in:

- preparing your claim or assisting you to satisfy CRA's strict guidelines and standards;
- providing training to your team on how to identify eligible activities and projects;
- understanding and complying with your CRA reviews.

With our team's high quality work and prompt responses, we are committed to making smart decisions for your business that will result in lasting value.

