



Guide to SR&ED tax credit incentive



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Foreword

In an effort to promote and boost innovation and investment in the industry, Canadian Construction Innovations (CCI) and Canadian Construction Association (CCA) is delighted to announce an exclusive partnership with Inventnt to offer Scientific Research and Experimental Development (SR&ED) credit writing services to Canadian construction businesses. That's why our team, in partnership with Inventnt, have produced this straightforward guide to SR&ED tax credits in Canada.

As an industry-first initiative, we are encouraging members to file claims for SR&ED tax incentives without the hassle and upfront cost of hiring additional experts, thereby saving valuable time and resources. In addition, any claim you receive can be reinvested to advance your business.

Inventnt was selected as the partner of choice to offer this exclusive service based on their expertise in facilitating and filing successful claims for construction businesses.

Our aim for this guide is to explain in simple terms the principles of SR&ED tax credits and demystify some of the uncertainties that exist around the program for the benefit of our members. While it is not intended as a definitive guide to making a claim, it does explain the basics of SR&ED tax credits, who qualifies, and offers some case studies of successful claims.

The program and its allocated funds are governed and distributed by the Canada Revenue Agency (CRA). For this reason, it's important for businesses to have expert assistance in preparing and filing their claims in compliance with both Canada's tax laws and CRA's established filing process.



Mary Van Buren
President

Canadian Construction Innovations (CCI) / Canadian Construction Association (CCA)



What is a SR&ED tax credit?

Canada introduced the Scientific Research and Experimental Development (SR&ED) Program in 1984, which is a federal tax incentive designed to inspire Canadian businesses, of all sizes and sectors, to conduct research and development (R&D) in Canada. The program is governed by the Canada Revenue Agency (CRA).

In Canada, SR&ED tax credits aim to motivate businesses to embark on projects with more risk, spend more on technical product and process development, and remain competitive in a global market by engaging in technology and innovation.

The benefits of the SR&ED tax incentive program are two-fold:

1. You can pool your SR&ED expenditures and deduct them against your current-year income, or keep them and deduct them in a future year.
2. You can earn the SR&ED investment tax credit (ITC) and use it to reduce your income tax payable. In some cases, CRA can refund the remaining ITC.

How does SR&ED apply to construction?

You may not realize it, but if you develop and improve construction methods, materials, plans and designs, then you have been undertaking research and development.

This includes finding easier, safer or greener ways of working; tackling obstacles in novel ways; and advancing solutions through the development of new materials or unusually shaped elements.

SR&ED according to the CRA:

Any project that seeks to:

- Extend overall knowledge or capability
- Make an appreciable improvement to an existing process, material or service
- Use science or technology to duplicate the effect of an existing process, material, device or product in a new or improved way
- Create a process or service that extends knowledge or capability

Examples include:

- Overcoming poor ground conditions
- Creating specialized systems in order to improve the methodology for a project
- Developing a proprietary precast concrete car parking structure solution that has slashed the time and cost to create new car parking capacity



How much can you claim?

The exact figure depends on your existing tax arrangements and the specific tax rules in the province where you are resident. Most businesses can expect to receive an ITC of between 15 to 45 per cent of your qualifying costs. This tax credit can either be carried forward and offset against future tax liabilities or can be collected as a tax refund.

Simplifying the claims process

Making a claim for the SR&ED program can be an intimidating process as it can be very confusing for companies. With our exclusive partnership with Invennt, this process is simplified through a streamlined, systematic approach to the claim.

There are four steps to the claims process which Invennt will facilitate:

Planning

- Identify all SR&ED activities through an initial exploratory workshop
- Connect with operational and project teams to compile the substance of the claim

Preparing and filing

- Analyze all technical issues on each SR&ED project
- Analyze all costs associated with each SR&ED project
- Write up narratives for each qualifying activity
- Prepare and file the claim to CRA specifications

Following up with CRA

- After filing the claim, Invennt will deal with CRA and any applicable provincial governments to ensure that the claim is reviewed and finalized in order to receive your claim as soon as possible
- Provide all necessary documents and information to CRA where required
- Assist with any issues that arise and address them with CRA

Ongoing advisory

- Invennt will ensure that the next time you file a claim you will be prepared and have systems in place to identify the SR&ED activities your company undertakes



Case studies of successful claims by Invennt

1. Large international contractor

At the time Invennt submitted their claim, this well-known multinational contracting business was heavily involved in the construction of wastewater treatment plants for municipalities across Canada.

The business regularly had to create bespoke systems to overcome poor ground conditions and underpin the foundations of existing structures to overcome subsidence. Invennt's consultants quickly identified this, among a host of other solutions to unanticipated design issues as eligible expenditure under the SR&ED incentive.

With their help, the contractor was able to demonstrate to CRA that the development of bespoke foundation systems – which minimized rework and eliminated subsidence – constituted an appreciable improvement to existing methods and as a result was an eligible expenditure under the incentive.

2. Specialist off-site construction business

This specialist off-site construction business had recently spent significant amounts of time and money to develop a modular precast concrete car park structure.

It quickly became apparent that the proprietary solution utilized advanced construction techniques to produce free span modular parking bays that exceed Canadian standards and Canadian Standards Association (CSA) specifications. Because the multi-story carparking structures could be erected in a fraction of the time of conventional methods, the prefabricated solution has slashed the time and cost to create new car parking capacity.

This represented an appreciable improvement to solutions that were currently on the market and as a result, development expenditures qualified under the SR&ED program. By demonstrating this innovation to the tax authorities, including the development of a new low-loader that cut unloading time by 85 per cent, the business was able to secure a sizable SR&ED tax credit claim.

3. Small steel-fabrication contractor

A small steel fabrication contractor had applied spot-welding techniques that were already widespread in the oil and gas industry to the construction sector.

By transferring the technique to their own operations, the contractor was able to drastically reduce the time and cost involved in steel frame construction while maintaining the highest standards of health and safety.

Despite early skepticism from the businesses' management team, Invennt was able to compile a claim that clearly showed that application of established technology in a new context constituted a significant improvement to existing processes. The claim was accepted by CRA which was reinvested by the business.



What are you waiting for?

With their expertise and proven track record in SR&ED claims for construction businesses, Invennt has been selected as the preferred partner of choice to offer this exclusive credit writing service.



Invennt identifies every cent of qualifying cost to return the maximum benefit



Invennt does the heavy lifting, minimizing effort spent processing the claim



The SR&ED incentive may provide an additional opportunity to boost your innovation efforts through a financial benefit



Inspire your operations teams by revealing how innovative they really are

Next step - book a complimentary no-obligation exploratory meeting

Still not sure how much of your work may qualify as SR&ED?

Talk to Invennt or book a complimentary no-obligation exploratory meeting.

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Legal Disclaimer

All exploratory meetings shall be held with Invennt, as the preferred service provider and the sole entity responsible for this program. **The Canadian Construction Innovations ("CCI") and the Canadian Construction Association ("CCA") are not parties to this program and shall not be held liable for any claims relating to the involvement of CCI or CCA members with Invennt or any exploratory meetings, including but not limited to claims relating to the contents discussed, confidentiality, any agreements concluded with Invennt for SR&ED claims, and any interactions between CCI or CCA members and Invennt.** CCI and CCA do not guarantee any outcomes from the exploratory meeting with Invennt and do not guarantee that exploratory review(s) with Invennt will result in an SR&ED claim. The published success rate of exploratory reviews resulting in SR&ED claims is based on Invennt's past success rate and is not necessarily reflective of future results.

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