

CRA PRACTITIONERS SESSIONS

Terry Tropic was invited to a five person panel (2 CRA and 3 industry) for an SR&ED Practitioners Session held in Vancouver, BC to represent consultants and accountants within the industry.

SR&ED WORKSHOPS

Pinchevsky delivered a series of SR&ED workshops to VentureTech Network chapters across Canada in early 2009. All three regional offices have been delivering workshops to accounting firms & industry to explain the recent changes to the SR&ED filing procedure and their impact.

➤ **PINCHEVSKY AT A GLANCE**

Your Technical Partner:

- 1000's of claims
- 25 full time technical staff
- Clients in 7 provinces
- Offices in 3 cities
- 1 SR&ED resource

Pinchevsky is a management consulting firm specializing in the SR&ED Tax Credit Program. This federal and provincial initiative is designed to assist industrial hi tech companies to obtain R&D funding. We currently service over 250 clients annually including small sized companies to large multinationals throughout Canada.

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PINCHEVSKY

Simplifying the SR&ED Claim Process



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Directly Engaged in SR&ED

This newsletter is published to provide interesting articles, scenarios and general information related to the Scientific Research & Experimental Development (SR&ED) program.

Changes to the SR&ED Claim Form in 2009

You may not yet be aware that effective January 31st, 2009 the CRA has implemented a new form (T661) be used for filing SR&ED claims in Canada. As a prescribed form that combines the financial and technical content into a single document format with fixed data and formatting limits, this has been the most significant change to the SR&ED in over a decade. Notable changes include strict word limits for each portion of the technical report and over 50 new data elements in the prescribed form as well as unlimited number of projects to be defined (previously only the largest 20 projects were required).

Given that companies with fiscal years ending on December 31st, 2008 and prior had the option to continue filing using the previous version, Pinchevsky has now processed a number of claims using the new form.

What is the Impact to Our Clients?

The intended impact of the new form by the CRA was to simplify the claim process for both the claimant and the CRA to process. Though it has not yet been put in place, the form is likely to become submitted as a digital format for e-filing with the CRA within the next few years. In the meantime, the word count constraints and combined report format results in additional preparation by the consultant and external accountant in finalizing the SR&ED claim along with the general T2 corporate tax filing.

Once the prescribed form is submitted electronically, one could speculate that the number of new data fields and digital format could allow CRA to apply filters or software intelligence for screening purposes.

What is the Impact to Accountants?

The workload impact to the accounting firms preparing the T2 corporate tax filing and T661 schedule can be significant. Without a project count limit on the submission, there is the potential for massive amounts of manual data entry required with obvious implications

for errors and omissions. This could result in a delay to claim acceptance, a technical or financial audit and even possibly a reduction or a denial of a project or entire claim. The end result could be an increase in workload and potential liability for the tax preparer.

What Pinchevsky is Doing

Pinchevsky has tested and launched its proprietary software system which mirrors the new T661 prescribed form output for the leading tax filing applications used by accountants in Canada. This system allows for ideal quality control measures and eliminates the potential for error due to re-keying of data – reducing both cost and risk of liability.



Pinchevsky is comparing audit experiences across the country in all industries to determine what changes, if any, have been implemented by the CRA with respect to claim pre-screening and audit profiles. An additional \$10 million was added to the SR&ED budget to hire additional audit resources. Our recent experience has shown that the requirement of evidence of contemporaneous documentation during audits has been heightened.

Pinchevsky Fast Facts

- up to 10% of a salaried position eligible for claim can be for work conducted outside of the country
- the new claim form in use for fiscal 2009 has 54 new field entries vs the previous format
- for companies without taxable income, SR&ED tax credits can remain as an asset for up to 20 years
- Alberta has recently launched a provincial incentive to SR&ED contributing up to 10% beyond the federal claim amount