

Canada Revenue Agency Simplified SR&ED Claim Form T661 And Guide

Questions and answers

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Form T661

Q.1 Why were changes made to Form T661 and what are the principal changes?

A.1 Changes to Form T661 were done to simplify the process for filing a Scientific Research and Experimental Development (SR&ED) claim. While the form applies to all businesses, it will be of particular benefit to small businesses that represent more than 75% of the 18,000 claims filed annually.

The principal changes that were made are the following:

- Schedules have been removed or incorporated into the Form
- Financial sections have been re-organized for a more logical flow
- A more user-friendly format has been created for providing project details
- Text has been reworded for clarification on what is required
- Legislative references have been moved from the Form to the Guide
- Helpful tips have been added
- A claim checklist has been incorporated to assist claimants in completing a claim
- The Web version of the Form has been linked to the "Guide to Form T661".

Q.2 What is the benefit of the new format for project details?

A.2 With the new format, the CRA has clarified the information it requires to evaluate projects for eligibility by providing a series of fields, check boxes, and questions, and by making a distinction

between experimental development and scientific research. This eliminates the need for claimants to provide lengthy free-flowing project descriptions that may not provide all the required information to determine eligibility. This in turn reduces the administrative burden on businesses, facilitates the CRA's review and expedites the claim review process.

Q.3 Why is the CRA limiting the number of words to 350 or 700 for certain questions?

A.3 Working collaboratively with industry representatives, the CRA has been able to redesign the form to capture the required information by incorporating "check boxes" and other standardized fields into the form. Accordingly, the questions are now intentionally worded to encourage shorter and more direct responses to assist claimants in providing the information needed to meet the eligibility requirements. This information, which can be provided in several paragraphs, will help to reduce the administrative burden for businesses.

In addition, the word limitation has the significant benefit of allowing SR&ED claims to be bar-coded along with the rest of the T2 return, permitting the CRA to process claims faster.

Furthermore, it prepares Form T661 for future netfiling development, which has been emphasized as important for many claimants.

Q.4 While the word limitations are sufficient for smaller, less complex projects, what about for large, complex projects?

A.4 The necessary information pertaining to projects of all sizes and complexities can be provided within the word limitations. When the CRA is conducting the review of an SR&ED claim, if further information is required, the claimant will be contacted; however, in many cases the information contained within the answers to Part 2 of Form T661 will be sufficient for the CRA to complete the claim review process.

Q.5 Can I continue to use the previous version of Form T661 and attach free-flowing project descriptions?

A.5 Yes, on a transitional basis. The CRA understands that claimants will need time to adjust to the new format. Consequently, claimants can continue to use the previous format for fiscal years ending in 2008 or before.

For claims with a fiscal year ending in 2009 or later, claimants are required to use the new format.

Due to the fact that the reporting deadline for SR&ED claims is 18 months after the fiscal year end, claimants will have sufficient time to adjust.

Q.6 The CRA is now requiring that claimants submit all projects instead of just the top 20. Doesn't this increase the administrative burden for claimants?

A.6 The vast majority of claimants have fewer than 20 projects. Businesses claiming more than 20 projects have always been required to have all project documentation available for the CRA in addition to the 20 they were required to submit.

As the new format significantly reduces the amount of information required for each project, the overall administrative burden is lessened for claimants.

Q.7 If the new Form T661 is filed but information is missing or incomplete, will my whole claim be rejected?

A.7 There is no change in the CRA's treatment of claims with missing or incomplete information

due to the new Form T661. As in the past, claimants are required to provide all relevant information requested on Form T661. If a claim is filed within 90 days or more of the reporting deadline, the CRA should have sufficient time to conduct a preliminary review to determine whether or not the claim meets the filing requirements and to advise the claimant of any deficiencies in the claim.

Also, as in the past, and where reporting deadlines permit, the CRA will make every effort to contact claimants to ensure that missing information is requested. Claimants are encouraged to file their claims as early as possible in order to ensure such communication can take place with the CRA should the need arise.

Guide to Form T661

Q.8 Why were changes made to the Guide and what are the principal changes?

A.8 As with Form T661, changes to the Guide to Form T661 were done to simplify and streamline existing documentation to make CRA publications easier to use and understand. Consequently, the Guide now focuses on how to complete Form T661.

The principal changes that were made are the following:

- Legislation and policy details have been removed from the text and added at the end of each section if further information is required
- Helpful tips, tables and examples have been added
- Definitions of terms have been removed from the main text and have been put into the Glossary
- An Appendix has been added to the Guide to identify what documentation is required to support SR&ED claims
- Partnership information previously located throughout the Guide has been moved to a separate section
- The Web version has been linked to related policies on the Web

Q.9 The Guide to Form T661 includes some new terms in the Glossary. Does this new terminology affect the technical or policy requirements of the program?

A.9 No. Some new terminology has been introduced on the Form and in the Guide to help claimants better understand certain aspects of the SR&ED program. However, none of the new terms changes the technical or policy requirements of the program.

SR&ED Policy

Q.10 Do the changes to the Form and Guide affect the technical or policy requirements of the program?

A.10 No. The SR&ED legislation and the program's application policies and other technical publications remain in force. This means that the eligibility and expenditure requirements remain the same.

For more information

Q.11 Where can I get more information?

A.11 You can obtain more information about the SR&ED program on the CRA SR&ED Web site at www.cra.gc.ca/sred. Alternatively, you can contact your nearest tax services offices listed on our

Web site at www.cra.gc.ca/sred under the section "SR&ED contacts".

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