

Funding for Innovation and Growth

The Value of Documentation

For most companies, the decision to engage with Scientific Research and Experimental Development (SR&ED) and other government funding programs hinges on a certain degree of confidence that their application will be accepted and, more importantly, that their investment of time and resources will be outweighed by the value of the funding that they receive.

One critical factor that can increase the potential value of an application and the probability that it will be accepted is the ability to ensure that complete and comprehensive documentation is available.

Strong supporting documentation and project tracking constitute the backbone of a successful SR&ED claim. Recent revisions to the SR&ED program regarding how eligible work is defined has resulted in greater emphasis on documentation by the CRA, thereby increasing the value of efficiently tracking eligible work for applicants.

SR&ED Project Tracking

A tracking system generally consists of a template that employees fill out with details about different project activities and costs as they occur. This information is then used at the end of the fiscal year to compose the technical and financial portions of an SR&ED claim.

Tracking methods must ensure that all relevant activities and costs are included, thereby increasing the value of your claim while minimizing disruption to regular business operations by reducing the effort required to compose your claim at the end of the year.

Technical Information

While individual tracking formats and methods can be customized by the claimant and will vary from company to company, the main technical components that usually should be tracked during the progression of a project are activity date, description, challenges faced, and progress achieved. By outlining individual project details in an organized and chronological manner, the tracking system provides a technical roadmap of all the activities that were undertaken throughout the year, including high level and support information necessary to complete and support the claim.

Financial Information

Additional tracking of SR&ED-eligible expenditures helps ensure that the technical activities performed are accounted for in the financial portion of the claim, including employee time and materials consumed, as well as employee salaries/wages, which can then be used to determine labour allocation for project activities at the end of the year.

Furthermore, since CRA regulations allow filing for SR&ED tax credits within 18 months of a fiscal year-end, you can conceivably file for the past two years of eligible SR&ED costs. As such, maintaining ongoing tracking is critical for preserving an ongoing record of projects to ensure all eligible costs and hours are captured.

In general, tracking allows companies to manage SR&ED projects and mitigate the risk that important technical information and expenditures are left out of the claim because of gaps in employee memories or employee turnover. It also provides a central standardized way of managing all the ongoing projects and allows effective communication regarding progress among all the team members that are involved.

High-value Documentation

Supporting documentation provides evidence that the expenses you are claiming meet eligibility requirements in terms of methodology and purpose, increasing the likelihood that your application will be accepted and reducing the risk of an audit for SR&ED claims. In addition to documentation for SR&ED claims, supporting documentation is a necessity when creating applications for other government funding opportunities.

SR&ED Documentation

When it comes to SR&ED documentation, more is better. However, not all documentation is made equal. Although much of the documentation generated during a project is useful, there are several documents that hold more value than others for supporting your SR&ED claim.

High-value technical SR&ED documentation is contemporaneous, meaning it was generated throughout the project and includes dated records of the actual testing that was performed, especially documentation pertaining to test hypotheses, analyses, results, observations, and conclusions. High-value financial SR&ED documentation supports the technical portion of the claim by providing records of labour expenditures, such as payroll documents and time sheets.

Government Funding

Similarly, other government funding applications require supporting documentation that can demonstrate the strategy and capacity of the company to achieve the goals specified in the application. High-value documentation for government funding applications includes financial documentation, such as sales records/breakdown/projections, financial statements, and project budgets that establish the economic viability of the application. Additional records and documents, such as market research, market plans or entry plans for new markets, project plans/timeline, hiring plans, and project quotes, may also be required to demonstrate your ability to meet project goals over time.

Overall, efficient documentation and records management is essential for a successful government funding application as it provides evidence of compliance with funding requirements and regulations. Too often companies miss out on significant funds because they believe that the value of the funds they may receive will not be worth the investment of time and resources required for filing an application.

However, efficient ongoing documentation and records management can significantly increase the likelihood that the application will be accepted. Furthermore, effective documentation and record tracking can mitigate disruptions to standard business operations with regard to application completion while increasing the potential value of the application by reducing the likelihood that relevant project costs are omitted.

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