

How to benefit from the SR&ED program

By Sol Algranti, Northbridge Consultants

Watching my manufacturing company thrive for the past 30 years, even throughout the latest recession, I've learned some valuable lessons that helped me keep my businesses successful. One of the primary ways I discovered to do this is by going against the grain. We developed new products and technologies when most companies stopped all their development activities, with help from Canada Revenue Agency (CRA) and its Scientific Research and Experimental Development (SR&ED) program. The SR&ED program can help a manufacturing company recapture up to 41.5 per cent of its costs. Each year, the SR&ED program provides over \$4 billion to more than 18,000 claimants. The downside is that only about one-half of the manufacturing companies in Canada are taking full advantage of this program.

LESSENING FINANCIAL RISK

The plastics industry has evolved tremendously in order to stay competitive, keep up with trends, and build higher quality products for consumers. The revolutionary development of the entire plastics processes, including tool making, has forever changed manufacturing, and it's safe to assume that the plastics industry will continue to evolve in order to reflect the changing needs of customers.

This evolution of new technologies and new product development activities can bring about experimentation to determine if what we're trying to accomplish is actually viable. It may also prompt us to change our products and/or processes slowly over time. Either way, we take what we know and build upon it to make a better product or a better way of producing that product.

With new product development comes risk. The possibility of failed projects, and the uncertainty of the results, could prove to be a costly venture for a business in this economy. This is where the SR&ED program can be of great assistance.

The CRA recognizes the risks that are involved in the development of new or improved products or processes. The outcome of new product and technology development is not easily predictable, and can cost significant time, materials and resources. The CRA developed the SR&ED program to help compensate for some of the costs incurred through innovation. This compensation is granted in the form of a tax credit or cash refund. By investing in domestic research and development, the SR&ED program improves Canada's competitiveness in the global market, stimulates domestic economic growth and creates more employment opportunities.

According to CRA estimates, approximately 50 per cent of eligible companies are not claiming SR&ED. Often, companies fail to claim because they don't realize that they're always involved in some sort of technology development activities in order to survive beyond to their normal day-to-day work. The development of new product and technology activities will often involve sufficient experimentation that is eligible for SR&ED. In fact, we've seen new products, improved and/or modified products, and new and/or improved processes all accepted for the SR&ED program.

HOW TO QUALIFY

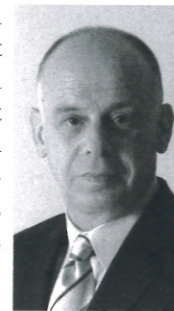
But how do you know a project qualifies as SR&ED? It must meet three criteria: technological advancement, technological obsta-

cles and technological content. Technological advancement means going beyond the current industry knowledge in your field. Technological obstacles are any uncertainties that you must overcome, and any problems that can't be solved with current industry knowledge. Lastly, technological content (or systematic investigation) is the actual work that is done on a project — the investigation, experimentation and/or analysis.

So, what does this mean for the plastics industry? It means we can grow with the trends, and can embrace new technologies and new projects, knowing that there is a program that can help recover the costs that these changes and innovations can bring about.

What have you done to take advantage of the SR&ED program?

Sol Algranti's entire career evolved in the plastics industry. He has held various advanced engineering and management positions and had 35 years of experience in the plastics manufacturing industry prior to founding Cambridge, Ont.-based Northbridge Consultants. Northbridge specializes in assisting companies to maximize their SR&ED claims. For more information about Northbridge's services, please go to www.northbridgeconsultants.com.



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