

Ministry of Finance

Tax Bulletin



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British Columbia Scientific Research and Experimental Development Tax Credit

Income Tax Act

Are you a corporation that carries on scientific research and experimental development in British Columbia?

Do you need to know how to claim your tax credit?

This bulletin provides specific information on the British Columbia Scientific Research and Experimental Development (SR&ED) Tax Credit Program.

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Overview

The British Columbia SR&ED Tax Credit Program is designed to encourage research and development in British Columbia that will lead to new, improved, or technologically advanced products or processes. The program, which came into effect on September 1, 1999, provides tax credits to qualifying corporations that carry on SR&ED in British Columbia.

The Canada Revenue Agency (CRA) administers the program on behalf of the province. For more information about the British Columbia SR&ED tax credit, please contact the CRA at 1 866 317-0473 or visit the CRA's website at www.cra-arc.gc.ca/sred/

Definitions

The British Columbia SR&ED Tax Credit Program includes important terms that relate to the eligibility of the credit. These terms are defined in [section 97](#) of the British Columbia *Income Tax Act* (Act).

Eligibility Requirements

You are eligible to claim the British Columbia SR&ED tax credit for a taxation year if:

- you are a corporation with a permanent establishment in British Columbia during the taxation year,
- you carried on qualifying SR&ED in British Columbia on, or after, September 1, 1999, **and**
- your corporation is not:
 - exempt from British Columbia income tax under section 27 of the Act,
 - controlled directly, or indirectly, by persons whose taxable income:
 - is exempt from British Columbia income tax under section 27 of the Act, or
 - is exempt from income tax under Part I of the federal *Income Tax Act* (federal Act),
 - an employee venture capital corporation, or
 - a small business venture capital corporation.

Effective February 21, 2007, you may be eligible to claim a proportionate share of a partnership's tax credit if you are a qualifying corporation that is an active member of the partnership.

Please note: Individuals are not eligible for the British Columbia SR&ED tax credit.

Qualifying Projects and Expenditures

Qualifying Projects

To qualify for the British Columbia tax credit, the SR&ED work you do must meet the requirements for the federal SR&ED tax credit. These requirements are set out on the CRA website at www.cra-arc.gc.ca/txcrdt/sred-rsde/bts-eng.html

The CRA has an online tool to help you determine if your work qualifies for the SR&ED tax credit. You can access this self-assessment tool at www.cra-arc.gc.ca/txcrdt/sred-rsde/sssmnt/menu-eng.html

Qualifying Expenditures

You may claim many of the costs incurred for qualifying SR&ED in a taxation year, such as:

- wages for staff doing the SR&ED work,
- costs of materials used in performing SR&ED,
- costs of new machinery and equipment purchased for SR&ED,
- costs of SR&ED contracted out,
- lease costs (excluding building leases or rent),
- third party payments to organizations, such as universities and colleges, and
- certain overhead costs related to SR&ED, or a proxy for these costs.

Tax Credits

Refundable Tax Credit

If you are a qualifying corporation that is a Canadian-controlled private corporation (CCPC), you may be entitled to a refundable tax credit.

To be considered a CCPC, you have to meet certain requirements at the end of your fiscal year. These requirements are listed on the CRA website at www.cra-arc.gc.ca/tx/bsnss/tpcs/crprtns/typs/ccpc-eng.html

The amount of the refundable credit for a taxation year is 10% of the lesser of:

- the SR&ED qualified BC expenditures for the taxation year, and
- the expenditure limit as defined in section 127(10.2) of the federal Act.
Generally, for a CCPC with a taxable income in the immediately preceding

year that does not exceed the federal business limit, the expenditure limit will be \$3 million (\$2 million for taxation years ending before February 26, 2008).

Non-Refundable Tax Credit

If you are a qualifying corporation that is not a CCPC, or you are a CCPC with SR&ED qualified BC expenditures that exceed your expenditure limit, you may be entitled to a non-refundable tax credit.

The amount of the non-refundable credit for a taxation year is 10% of your SR&ED qualified BC expenditures for that year, **less**

- the amount of your refundable credit for that year, and
- any amount you renounced for that year.

Before claiming the non-refundable tax credit, you must claim all deductions available to you in calculating your income tax payable (including tax credits).

The non-refundable credit can be carried forward 10 years or back 3 years.

Applying for the Credits

To apply for the credit, complete the *British Columbia Scientific Research and Experimental Development Tax Credit* form (**Form T666**) and submit it to the CRA with your *T2 Corporation Income Tax Return*.

You must apply for the credit no later than 18 months after the end of the taxation year in which the SR&ED qualified BC expenditures are made.

Recapture

You may be required to report a recapture of any British Columbia SR&ED tax credits you claimed on a property if, within 10 years of acquiring the property, you:

- dispose of the property, or
- convert the property to commercial use.

Any recapture will create, or increase, British Columbia tax payable, or reduce your tax refund.

Renouncing the Credit

You may renounce all, or part, of your unused non-refundable British Columbia SR&ED tax credit for a taxation year. You may wish to do this if, for example, claiming

the British Columbia credit will reduce the amount of the refundable federal SR&ED credit available to you, or, if the British Columbia credit will expire before the federal credit.

If you renounce entitlement to a tax credit, you are considered not to have been entitled to receive that credit.

Amalgamations and Wind-Ups

You may continue to be eligible for the non-refundable credit after an amalgamation or wind-up if, on, or after, September 1, 1999, you:

- amalgamate with another corporation within the meaning of section 87(1) of the federal Act, or
- are the parent of a subsidiary corporation that is wound-up within the meaning of section 88(1) of the federal Act.

Canada Revenue Agency and the Ministry

The Ministry of Finance has contracted with the CRA to review and audit the British Columbia SR&ED tax credit claims. The CRA is responsible for issuing refund cheques to eligible corporations. If you disagree with the amount of credit assessed by the CRA, you have the right to file a *Notice of Objection* with the CRA within 90 days of the date of the *Notice of Assessment*.

Need more info?

British Columbia Scientific Research and Experimental Development Tax Credit
website: www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/tax_credits/scientific_research.htm

For administrative and policy matters, please contact the ministry.

Ministry of Finance

Income Taxation Branch
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8

Telephone (Victoria): 250 387-3332
Toll free in Canada: 1 877 387-3332
Fax: 250 356-9243
E-mail: ITBTaxQuestions@gov.bc.ca

For more information on the British Columbia SR&ED tax credit, including enquiries about the type of work that qualifies, the status of a claim and audit matters, please contact the CRA.

Canada Revenue Agency

Surrey Tax Centre
9755 King George Boulevard
Surrey BC V3T 5E1

SR&ED Direct Line: 1 866 317-0473
Website: www.cra-arc.gc.ca/sred/

The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Income Tax Act* and Regulations are on our website at www.sbr.gov.bc.ca/business/Income_Taxes/Corporation_Income_Tax/legislation.htm