

- Use this form to claim SR&ED carried out in Canada during the year and file it with your tax return.
- A corporation filing Form T661 should place it on top of the T2 return, so that we can identify the SR&ED claim quickly.
- Use the Guide to Form T661 (T4088) to fill out this form.
- Use the on-line help guide to Form T661 for assistance at www.ccra.gc.ca/sred/ .
- If the SR&ED was performed in the provinces of Newfoundland & Labrador, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, British Columbia or in the Yukon Territory, you may be entitled to a provincial tax credit.
- You will have to complete schedules A, B, C, or D, if they apply to your particular situation.
- On this form, legislative references are to the *Income Tax Act*, and regulatory references are to the *Income Tax Act Regulations*.
- All the information in this form is prescribed information. If the prescribed information that applies to your particular claim is not filed along with your T2SCH31 or T2038(IND) within 18 months, your claim may be rejected.

Part 1 – General Information (please print)

" ' '	
Name of claimant	Claimant's business address and postal code
	Claimant's Web site (if available) http://www.
Business number, social insurance number, or partnership identification number	Return for Tax year from:
100 Name of contact person	142 Is the claim filed for a partnership? 1 Yes 2 No
105 Telephone number 110 Fax number	145 If yes, what is the name of the partnership?
	150 Percentage of SR&ED expenditures to be allocated from the partnership %
Certification	n and Election
I certify that this form, and the related schedules and attachm	ents, have been examined and are true, correct, and complete.
I elect or choose the following method to calculate my SR&EE I understand that once I elect or choose a method, my election	D expenditures and related investment tax credits (ITC) for the year. n or choice is irrevocable for the year.
160 I elect to use the proxy method under clause 37(8)(a)(ii)(B	3) 1 Yes
162 I choose to use the traditional method	
165	170
Name of authorized signing officer of the corporation, authorized partner	or individual Signature Date

490 491 492	PLEASE DO NOT USE THIS AREA					
	490		491	492		

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Provide the information requested in Step 1 and Step 2 on separate sheets of paper, and submit them with this form. For more information see the Guide to Form T661 (T4088).

Step 1 - Detailed project description

For each of the projects you are claiming, identify the project and use questions A to E below to guide you in providing the information we need about your project. Answer the applicable parts of the questions, providing enough information to show how your project work meets the program requirements. It is recommended that you read the Guide to Form T661 before you answer questions A to E. The guide will help you understand the type of information that is needed for the CCRA to process your claim and reduce or eliminate the need for you to submit additional information. It should help you avoid preparing and providing unnecessary information. Most projects can usually be described in 4 pages or less. If possible, it would be helpful if you could take into account whether your project work was experimental development work or scientific research work because there is a difference in the requirements. In general, **experimental development** is work done both in and outside the laboratory to develop new technology to create new, or improve existing, materials, devices, products or processes while **scientific research** work is done predominantly in a laboratory setting for obtaining new scientific knowledge.

- A. **Scientific or Technological Objectives** What is the technological **or** scientific objective of your project? Does this project involve scientific research or experimental development? What field of science or technology does the project involve?
- B. **Technology or Knowledge Base Level** Before you started your project, what were the technological limitations of your products or processes to be overcome, **or** if your project work was predominantly scientific research, give a perspective in terms of the scientific knowledge that you were seeking before you started your work? You can use the information you provided last year if your project is continuing from last year and the objectives have not been achieved or changed.
- C. **Scientific or Technological Advancement** What advancement in technology is being sought, what were the problems or challenges that you could not solve using commonly available experience and required you to seek an advance in the underlying technology to achieve the objective in A above, **or** what was the new scientific knowledge sought in your work?
- D. **Description of Work in this Taxation Year** Describe the work, including experiments and analyses, that you did in this taxation year to achieve the above technological **or** scientific objectives.
- E. **Supporting Information** What technical records or documents such as records of trials, test results, progress and final reports, meeting minutes, employee activity records, prototypes, new products, generated over the course of the work are available to support your work?

Step 2 - Project Summary Information

Total number of projects you are claiming in this taxation year.

If you received an amount under the Industrial Research Assistance Program (IRAP), please indicate the amount received.

200		
206		

For each project you are claiming provide the following information. Use a reasonable allocation of the costs if you have not recorded your costs on a project basis.

Project identification: code and name	Start date (yy/mm/dd)	Finish date (yy/mm/dd) Actual or expected	Total labour expenditures in current tax year	Total cost of materials in current tax year	Total contract expenditures in current tax year

Fait 3 - Summary of SixeLD Expenditures	,
Step 1 – Allowable SR&ED expenditures for SR&ED carried out in Canada	
SR&ED portion of salaries or wages of employees directly engaged in SR&ED:	
employees other than specified employees	300 +
specified employees (do not include bonuses or remuneration based on profits)	305 +
Amounts deemed incurred in the year under subsection 78(4) (salaries or wages)	310 +
Unpaid amounts deemed not incurred in the year under subsection 78(4) 315	
Cost of materials consumed in the prosecution of SR&ED	320 +
Cost of materials transformed in the prosecution of SR&ED	325 +
SR&ED contracts performed on your behalf (submit on separate sheet by contractor/amount paid):	
arm's length contracts	340 +
non-arm's length contracts	345 +
Lease costs of equipment used:	
all or substantially all (90% or more) for SR&ED	350 +
 primarily (more that 50% but less than 90%) for SR&ED. Enter only 50% of the lease costs if you use the 	
proxy method. If you use the traditional method, enter "0".	355 +
Overhead or other expenditures (enter "0" if you use the proxy method)	360 +
Subtotal (add lines 300 to 360 - do not add line 315)	<u>365</u> =
Third-party payments (complete Schedule A)	370 +
Total current SR&ED expenditures (add lines 365 and 370)	380 =
Capital expenditures (for ASA equipment, see Guide)	390 +
Total allowable SR&ED expenditures (add lines 380 and 390)	400 =

Step 2 – Pool of deductible SR&ED expenditures		
Amount from line 400		
less		
 government and non-government assistance for expenditures included on line 400 	430	_
previous year's ITC claimed for SR&ED (other than ITC on shared-use equipment)	435	_
sale of SR&ED capital assets (see guide) and other deductions	440	_
add		
 previous year's ending balance in the pool of deductible SR&ED expenditures 	450	+
amount of ITC recaptured in the preceding tax year	453	+
adjustments to the pool of deductible expenditures as per Schedule B	454	+
Amount available for deduction (If the amount is negative, enter "0" and add to income in the year)	455	=
Deduction claimed in the year	460	_
Current year's balance of deductible SR&ED expenditures applicable to future years (line 455 minus line 460)	470	=

Step 3 – Qualified SR&ED expenditures for ITC purposes				
Enter the breakdown between current and capital expenditures for ITC purposes.		Current Expenditures		Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	492		496	
add				
 unpaid amounts (other than salaries or wages) from prior years paid in the year under subsection 127(26) 	500	+		
prescribed proxy amount (complete Schedule D) enter "0" if you use the traditional method	502	+		
expenditures on shared-use equipment (25% of the capital cost of the equipment)			504	+
qualified expenditures transfered to you (from Form T1146)	508	+	510	+
less				
government and non-government assistance, and contract payments	534	_	536	
amounts of lines 552 and 554 as per Schedule B	552	_	554	
amounts of lines 555 and 556 as per Schedule C	555	_	556	
Subtotal	557	=	558	=
SR&ED qualified expenditure pool (add lines 557 and 558)			559	=
add				
Repayments of assistance and contract payments made in the year			560	+
Total SR&ED expenditures that qualify for ITC purposes (add lines 559 and 560)			570	=
To claim an ITC on this amount, you must complete Schedule T2SCH31 – Investment Investment Tax Credit (Individuals), as the case may be.	nt Tax (Credit – Corporation,	or Form	T2038(IND),

Part 4 – Background information
The information below is required for the administration of the program.

The information below to required for the durining attention of the pr	rogram.	
Expenditures for SR&ED performed by you (line 400 minus lines 340, A. Sources of funds for SR&ED	345 and 370) 60	05
From the total you entered on line 605, estimate the percentage distrib	oution of the	
sources of funds for SR&ED performed within your organization.		
	Canadian (%)	Foreign (%)
Internal	600	
Parent companies, subsidiaries, and affiliated companies	602	04
Federal grants (should not include funds or tax credits from SR&ED ta	x incentives) 606	
Federal contracts	608	
Provincial funding	610	
SR&ED contract work performed for other companies on their behalf	612 612	14
Other funding (e.g. universities, foreign governments)	616	18
B. Business personnel		_
Total number of employees	63	80
SR&ED personnel (full-time SR&ED staff, plus full-time equivalent for	staff engaged part-time in this activity):	
Scientists and engineers 632	Technologists and technicians 63	34
Managers and administrators 636	Other technical supporting staff 63	38
C. Nature of SR&ED activities		
From the total you entered on line 605, estimate the approximate distri	ibution of your SR&ED effort:	
Basic research (no specific application in view) 650	Applied research (specific practial application in view	v) 652
Development of new: product 654 p	rocess 656 technical services	ces 658
Improvement to existing: product 660 p	rocess 662 technical services	ces 664
D. Specialized field of research		
Indicate, if applicable, the percentage of the amount on line 605 attribu	uted to the following field of research:	
	Environmental protecti	ion 674
		

Complete Claim Checklist

Filing a complete claim will speed up its processing. Before sending your SR&ED claim, check if you have:
Used the current version of Form T661 to file a current year claim. Signed Form T661 in the "Certification and Election" area of the form (Part 1).
3. Indicated the method for reporting your SR&ED expenditures in fields 160 or 162 in Part 1 of the form. 4. Provide the Project Summary Information for each project, and expenditures (labour, materials and contracts) in Part 2.
5. Submitted the Detailed Project Description for the 20 largest projects in terms of dollar value. 6. Recorded all your SR&ED expenditures (Part 3). If you forget to claim an expenditure, you have 12 months after the filing due-date of your tax return for the year to submit an amended T661.
7. Completed Part 4 – Background information. 8. Completed schedules A, B, C or D where applicable. 9. Filed a completed Schedule T2SCH31 – Investment Tax Credit – Corporations, or Form T2038(IND), Investment Tax Credit (Individuals), to claim ITC on your qualified SR&ED expenditures.
All the information in this form is prescribed information. If the prescribed information that applies to your particular claim is not filed along with your T2SCH31 or T2038(IND) within 18 months, your claim may be rejected.

(If you have made more than one third-party payment for SR&ED, use copies of this schedule)

A third party payment includes:

- a payment to certain approved entities to be used for SR&ED carried out in Canada that is related to a business of the payer but only if the payer is entitled to exploit the results of that SR&ED.
- a payment to a corporation resident in Canada to be used for SR&ED carried out in Canada that is related to a business of the payer but only if the payer is entitled to exploit the results of that SR&ED.
- a payment to a non-profit SR&ED corporation resident in Canada that is for basic or applied research carried out in Canada. Interpretation Bulletin IT-151 describes the circumstances under which you can deduct the payment.

The prepaid expense rule in subsection 18(9) applies to a third-party payment, therefore, the payer can deduct the payment under subsection 37(1) only after the SR&ED is performed.

A third-party payment does not include a payment made for SR&ED to be performed on your behalf.

You do not need to submit project descriptions with Form T661 for expenditures you report on line 370. However, you must be able to substantiate that the payment is to be used for SR&ED in Canada, that the SR&ED is related to a business that you carry on, and that you are entitled to exploit the results of that SR&ED. Such substantiation would be contained in the terms of the agreement between you and the third-party entity. You do not have to submit the agreement now, but you must supply it when we ask for it.

Required Information 1. Identification Name Address Total amount paid in the year \$ Provide a list of the research projects Place a check mark (✓) beside the appropriate category to indicate the type of entity: approved association granting council non-profit SR&ED corporation resident in Canada other corporation resident in Canada an approved university, college, research institute, or other similar institution • Are you dealing at arm's length with the recipient? Yes No 2. Nature of payment Place a check mark (✓) beside the appropriate category to indicate the type of work: The payment is for experimental development basic research applied research • Briefly explain what the payment is for: Briefly explain how the SR&ED is related to a business that you carry on: • Briefly explain how you are entitled to exploit the results of that SR&ED:

Schedule B - Special Situations

•				
Section 1 - Adjustments to the pool of deductible SR&ED expenditures incurre	d in Ca	ınada		
 Repayments of government and non-government assistance (include only the response) 	repaym	ents of assistance		
that previously reduced the deductible SR&ED expenditure pool)			445	+
SR&ED expenditure pool transfer from amalgamation or wind-up			452	+
Total (add lines 445 and 452)			454	=
Report on line 454 of Part 3, Step 2 of	Form T	661		
Section 2 – Adjustments to Qualified SR&ED Expenditures for ITC purposes				
		Current Expenditures		Capital Expenditures
• II 1		Expenditures		Lxperiultures
 Unpaid amounts (other than salaries or wages on line 315) deemed not to be 				
incurred in the year under subsection 127(26)	520	_	_	
 Current expenditures for SR&ED contract paid or payable to, or for the benefit 				
of a person or partnership that is not a taxable supplier in respect of the				
expenditures	528	-		
Prescribed expenditures (Section 2902 of the Regulations)	530	-	532	_
Other deductions (see Guide)	548	-	550	-
Total (add lines 520, 528, 530, 548 and add lines 532 and 550)	552	=	554	=
Report on lines 552 and 554 respectively in Part 3	3, Step	3 of Form T661		

Schedule C - Non-Arm's Length Transactions

	Current	Capital
	Expenditures	Expenditures
 Purchases of goods and services from non-arm's length suppliers 		
(except for SUE)	522 –	524 –
• Expenditures for non-arm's length SR&ED contracts (from line 345)	526 -	
Assistance allocated to you (from Form T1145)	538 -	540 –
Qualified expenditures you transferred (from Form T1146)	544 -	546 -
otal (add lines 522, 526, 538, 544 and add lines 524, 540, 546)	555 =	556 =
Report on line 555 and 556 respectively in F	Part 3, Step 3 of Form T661	

You must complete this calculation table and attach it to Form T661 if you are using the proxy method

This table will help you to calculate the prescribed proxy amount (PPA) to enter on line 502 of Form T661. You can only claim a PPA if you elected in Part 1 of Form T661 (line 160) to use the proxy method for the year.

The PPA is 65% of the salary base determined in Section A, as the total of salaries or wages of employees directly engaged in SR&ED in Canada.

Special rules apply for specified employees. Calculate your salary base in Section A, the PPA in Section B, and the salaries or wages of specified employees eligible to be included in the salary base in Section C.

Section A – Salary base		
Salaries or wages of employees directly engaged in SR&ED, other than specified employees (from line 300)	1)	+
Less:		
Remuneration based on profits, bonuses, and taxable benefits under section 6 and 7 of the Act, and an		
amount deemed incurred in the year under subsection 78(4) of the Act, included on line 1 above	2)	
Subtotal (line 1 less line 2)	3)	=
Plus :		
Salaries or wages to specified employees directly engaged in SR&ED (per Section C, column 6 below)	4)	+
Salary base (total of lines 3 and 4)	5)	=
Section B – Prescribed Proxy Amount		
Calculate 65% of the amount on line 5	6)	=
Report the PPA determined on line 6 to line 502 of Part 3, Step 3 of Form T661.		
In certain situations, an overall cap on the prescribed proxy amount may limit the amount otherwise determined.		

Section C - Determining the salaries or wages of specified employees

Special rules apply to restrict the amount of salaries of specified employees that you can include in the salary base. Use the chart below to calculate this amount.

Column 1	Column 2	Column 3	Column 4	Column 5**	Column 6
Name of specified employee	Total salaries or wages for the year (SR&ED and non-SR&ED)*	Percentage of time spent in SR&ED in Canada (Maximum 75%)	Amount in column 2 multiplied by percentage in column 3	2.5 × A × B ÷ 365	Amount in column 4 or 5, whichever amount is less

Enter total of column 6 amounts on line 4 in Section A above

- * Do not include taxable benefits under sections 6 and 7, bonuses, remuneration based on profits, or an amount deemed incurred in the year under subsection 78(4).
- **A is the year's maximum pensionable earnings (section 18 of the *Canada Pension Plan*) for the calendar year in which your tax year ends. For year 2003, the year's maximum pensionable earnings are \$39,900 (total \$39,900 x 2.5 = \$99,750), and for 2002 year, the year's maximum pensionable earnings are \$39,100 (total \$39,100 x 2.5 = \$97,750).

B is the number of days in the taxation year that you employ the individual.