



# SR&ED 2002 Client Survey Results Summary Report

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## Background

In the late 1990's, industry expressed concerns about the consistency and effectiveness of the Scientific Research and Experimental Development (SR&ED) program. These concerns led the Canada Revenue Agency (CRA), in co-operation with industry, to improve the CRA's administrative practices for the program.

The CRA engaged an independent firm to develop a performance metric that would provide a "report card", based on feedback from a broad cross-section of Canadian-based companies, on the administration of the SR&ED program. Between July and November 2002, a Web-survey and case-study interviews were conducted. A survey report was prepared in December 2002.

## Summary

The 2002 study shows that the SR&ED administrative process has improved significantly since 1999 and that the steps we have taken so far to improve the program have been successful. While progress is clearly evident, areas still requiring improvement are being addressed through the priorities identified by the SR&ED Partnership Committee at its February 26, 2004 meeting.

In addition, the 2002 study results provide the SR&ED program with **benchmark** data that can be used in future surveys to track our progress.

## Key positive findings

Some of the key positive findings from the 2002 study are as follows:

- Concerning their last on-site review, the majority of respondents were satisfied with:
  - the professionalism of CRA staff,
  - the level of knowledge of CRA staff with the technological or scientific aspects of the claim,
  - the level of knowledge of CRA staff with the financial aspects of the claim, and
  - the helpfulness of CRA staff.
- Approximately 81% of Web-survey respondents believed that the CRA fairly reviewed their SR&ED claim.
- Close to two-thirds of respondents indicated that the consistency of the CRA review process has improved over the years.



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- Overall, the vast majority of respondents (about 81%) are satisfied with how the CRA administers the SR&ED program.
- Over three-quarters of Web-survey respondents and over one-half of case-study respondents indicated that the SR&ED program has helped make their company more successful. More specifically, three-quarters indicated that the program encourages businesses to conduct SR&ED in Canada, more than one-half that it increases company profitability, and one-half that it helps with cash flow.

### Key lessons learned

The following are three examples of key lessons learned from the 2002 study:

#### Key lesson learned # 1: Simplification

Less than one-half of respondents were satisfied with the SR&ED guides and forms, and only one-quarter were satisfied with the SR&ED program Web site. Some respondents found the forms and information guides intimidating and difficult to read. Respondents continued to express a need for clear and simple forms and more useful information guides, especially for first-time claimants and small businesses. While only about one-quarter of respondents were satisfied with the usefulness of the Web site, nearly one-half of them were unfamiliar with or had no comment about its usefulness.

#### Program enhancements:

- In 2002, we issued a new plain-language brochure for small businesses called *Refunds for Small Business R&D* (RC4290).
- In 2003, we revised Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Carried Out in Canada*, and introduced an on-line guide to help claimants complete the revised form. The revised Form T661 is easier to read and the on-line guide is user-friendly.
- In April 2003, the CRA's SR&ED program Web site was launched after being completely overhauled. The Web site contains useful information, including a page on the First-Time Claimant Service, which was designed to help businesses that are new to the SR&ED program. The Web site address is [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred).
- One of the priorities identified by the SR&ED Partnership Committee at its February 26, 2004 meeting is to focus on improved communications, including reducing the complexity of publications.



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### **Key lesson learned # 2: Timeliness**

The turnaround time for processing claims should be faster. This is especially true for small companies, as delays put financial strain on companies and can stall scientific research. Only one-half of respondents were satisfied with the CRA's turnaround time for processing claims. Most dissatisfied respondents were small businesses, which, for the most part, are entitled to refunds.

#### **Program enhancements:**

- The SR&ED program has made significant progress in the timeliness of SR&ED delivery. We currently have four service standards for SR&ED delivery. The established service standard target for the SR&ED program is to process 90% of the claims within specified time frames. Target results achieved for 2003-04 are as follows:
  - Current-year refundable claims: the service standard is 120 days with a target of 90%. The result was 95%.
  - Current-year non-refundable claims: service standard is 365 days with a target of 90%. The result was 92%.
  - Claimant-requested refundable adjustments: service standard is 240 days with a target of 90%. The result was 95%.
  - Claimant-requested non-refundable adjustments: service standard is 365 days with a target of 90%. The result was 94%.

These results are a significant improvement over previous years and demonstrate the progress that the SR&ED program is making.

### **Key lesson learned # 3: Consistency**

Close to two-thirds of respondents believed that the CRA's review process has improved in consistency over the years; however, the CRA needs to continue to improve in this area.

#### **Program enhancements:**

- In 2002, we released two key documents to enhance the consistency of claims processing: *Guide to Supporting Technical Aspects of a SR&ED Claim*, and *Recognizing Experimental Development*.
- In 2002, the National Technology Sector Specialists section was fully staffed. The section now consists of 14 specialists in various industry sectors. One of their responsibilities is to ensure consistent treatment within and across sectors.
- Since 2002, we also released guidelines for various sectors to clarify the rules on eligible SR&ED work:
  - *Cross-Sector Shop Floor Guidance Document*;



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- *Chemicals Guidance Document #1 – Shop Floor SR&ED;*
  - *Chemicals Guidance Document #2 – Qualifying Work;*
  - *Guidance on Eligibility of Software Projects for the SR&ED Tax Credits and Developing and Documenting Claims;*
  - *SR&ED – Plastics, Materials, Processing, Equipment & Tool Making Guidance Document; and*
  - *SR&ED – Guidance Document for In-Situ Heavy Oil and Bitumen R&D.*
- One of the priorities identified by the SR&ED Partnership Committee at its February 26, 2004 meeting is to further strengthen the consistency and predictability of our operations.

### **Survey results**

For a comprehensive report of the survey results, see the document called *Monitoring the Performance of the Administration of the SR&ED Program – Survey Results*, which is available on our Web site at [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred).