



Scientific Research and
Experimental Development
Tax Incentive Program
Strategic Business Plan
2005

More Ways to Serve You!
Pour vous servir encore mieux!



Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Strategic Business Plan

“The impetus to spend more time and money on our internal research and development comes from the knowledge that we have the SR&ED program helping to fund it.”

Fred Phillips, President
Focus Auto Design Inc.

“The R&D program not only helped fund our research, it gave us the confidence to tackle projects that would otherwise have been too risky.”

Steve Boyd
Triboguard Company Ltd.

“Your program has given us the resources to further improve and develop various products for future implementation.”

Ralph Hahn
President
Jentel Manufacturing Ltd.

WHY A STRATEGIC BUSINESS PLAN?

For a program to be truly effective, it must continually seek to improve. In recognition of this, the Canada Revenue Agency (CRA), in co-operation with industry, has introduced a number of administrative enhancements to its Scientific Research and Experimental Development (SR&ED) program over the last few years. However, an analysis of our operating environment and existing client base indicates that more could be done.

To this end, the joint CRA-industry SR&ED Partnership Committee has developed this strategic business plan for the administration of the SR&ED program. The plan identifies the program priorities or strategic directions that will allow the CRA to focus its efforts and resources on key areas. These strategic directions provide a framework within which new and unforeseen demands can be prioritized, and will guide the evolution of the administration of the SR&ED program over the next three years.

Our strategic directions are to ensure:

- **effective delivery** of the SR&ED program;
- **awareness** of the SR&ED program through enhanced communications initiatives;
- **accessibility** to the SR&ED program for small business.

These priorities are supported by a recent survey conducted for the CRA that identifies the strengths of the program and confirms the areas where improvements could be made (see inset below).

The CRA is committed to the principles of accountability. As part of the SR&ED Strategic Business Plan, we will regularly review our progress and report on it to Parliament through our annual report.

SURVEY OF OUR CLIENTS

In 2002, the CRA commissioned a survey of a broad cross section of Canadian-based companies on the administration of the SR&ED program. The results of this client survey have been used in developing the SR&ED Strategic Business Plan.

The 2002 survey tells us that there has been significant improvement in the SR&ED administrative process, and that the steps taken by the CRA to improve the program have been successful. For example:

- Three-quarters of the respondents indicated that the SR&ED program has been effective in encouraging businesses to conduct R&D in Canada; more than half of the respondents indicated that the program had increased the profitability of their business; and one-half of the respondents indicated that the program had helped with cash flow.
- Most respondents were satisfied with CRA staff during on-site reviews, noting their professionalism, level of knowledge, and helpfulness.

Although progress is clearly evident, respondents noted areas where improvement is still warranted. For example:

- The turnaround time for reviewing and processing claims should be faster, especially for small companies, since delays put financial strain on companies and can stall scientific research.
- Although close to two-thirds of respondents believed that the consistency of the CRA review process has improved over the years, consistency needs to continue to be strengthened.
- There is a need to clarify and simplify forms and to provide more useful information guides, especially for first-time claimants and small businesses.

For more information on the SR&ED client survey, visit our Web site at

www.cra.gc.ca/sred.

Scientific Research & Experimental Development Tax Incentive Program



WHAT IS THE SR&ED PROGRAM?

The SR&ED program is a tax incentive program introduced in the 1980s to encourage research and development (R&D) in Canada. Under the SR&ED program, qualifying businesses get money back in the form of a refund, a reduction of taxes payable, or both. In addition to the federal incentive program, most provinces and territories have complementary programs, most of which are administered by the CRA. Currently, this program is the largest single source of federal funding for Canadian industrial R&D.

More than 500 employees across Canada deliver the SR&ED program. These employees are responsible for:

- providing service and information to clients;
- promoting and clarifying program requirements;
- reviewing SR&ED claims;
- making decisions about SR&ED eligibility and entitlement.

In 2002, the CRA established the SR&ED Partnership Committee to continue the CRA's long-standing collaboration with industry. The Committee has 20 members, representing various regions and industrial sectors of Canada, as well as the CRA.

More information on the program and its organization is available on our Web site at www.cra.gc.ca/sred.

SOME OF THE SERVICES AVAILABLE TO SR&ED CLAIMANTS

First-Time Claimant Service – puts new claimants in contact with an SR&ED representative who can provide the information, tools, and assistance needed to complete an SR&ED claim.

Preclaim Project Review Service – gives clients a preliminary opinion about the eligibility of a project.

Account Executive Service – gives clients continuity and one-stop SR&ED information by assigning a designated contact person who can answer questions and give guidance on the SR&ED program.

Public information and industry-specific seminars – provide a general overview of the program, explain the eligibility criteria and expenditure requirements, and describe how to file an SR&ED claim. Our industry-specific seminars explain the SR&ED program's eligibility criteria as they relate to a sector of industry.

For more information on these and other SR&ED services, visit our Web site at www.cra.gc.ca/sred or contact one of the tax services offices listed on the back of this document.

SR&ED AT A GLANCE

- *\$1.8 billion in SR&ED incentives paid annually*
- *11,000 claimants annually*
- *70% of claims are from small and medium businesses*
- *delivered by more than 500 employees across Canada*

SERVICE STANDARDS — OUR COMMITMENT TO TIMELY SERVICE

One of the goals of the SR&ED program is to process claims in a timely, consistent, and predictable way. To support timely processing, the CRA has established service standards and has succeeded in meeting these standards.

- Current-year refundable claims (applies to Canadian-controlled private corporations) will be processed within 120 days, 90% of the time.
- Client-requested adjustments of refundable claims will be processed within 240 days, 90% of the time.
- Non-refundable claims will be processed within 365 days, 90% of the time.

Our Direction FOR THE FUTURE

1 Strategic Direction: Ensure effective delivery of the SR&ED program

To facilitate participation in the SR&ED program, clients must see the application process as being reasonable and accessible. The processing of claims must be consistent, fair and timely, so that eligible clients can receive these incentives with minimal delays.

A number of initiatives have been introduced over the last few years to facilitate the application process. These include the First-Time Claimant Service, the Account Executive Service, and the Preclaim Project Review Service. Also, service standards have been established for processing claims in a timely way, which the program has successfully met. To continually improve, we will regularly review the standards and services to make sure they are appropriate. Most importantly, to continue to make progress in delivering an effective and efficient program, we will rely on and invest in the skills, knowledge, and experience of the SR&ED workforce.

To support this strategic direction, we will deliver the following:

STRATEGIC DIRECTION 1:

Ensure
effective
delivery of
the SR&ED
program

1 — Key deliverables

Build on our foundation of a skilled and knowledgeable workforce by providing an organizational climate that encourages learning and professional development and fosters the CRA's four values of respect, professionalism, co-operation, and integrity.

Continue our recent improvements in timeliness by thoroughly reviewing the SR&ED program's services and administrative processes to determine areas of potential improvement.

Further strengthen the consistency and predictability of our program by making sure SR&ED legislation is administered in a way that is fair and consistent, and that our service to claimants is equitable and impartial.

Evaluate the administration of the SR&ED program, including an administrative comparison to other countries, to identify potential improvements to the delivery of the SR&ED program.

Our Direction FOR THE FUTURE

2 Strategic Direction: Ensure awareness of the SR&ED program through enhanced communications initiatives

Over the past few years, important progress has been made to ensure awareness of the SR&ED tax credit among its stakeholders. Both our brochure, called *Refunds for Small Business R&D*, and the SR&ED Web site, introduce small and medium business to the program; educate them on its provisions; and make it easier for them to comply. However, much remains to be done.

The initiatives that will be undertaken in support of this strategic direction will be tailored to meet the needs of three distinct audiences: existing and potential clients, related federal departments and agencies, and foreign R&D performers.

To support this strategic direction, we will deliver the following:

**STRATEGIC
DIRECTION 2:**
Ensure
awareness
of the SR&ED
program
through
enhanced
communica-
tions initiatives

2 — Key deliverables

Develop outreach initiatives aimed at ensuring awareness of the program, educating clients, and easing the compliance burden.

Develop and implement communications initiatives to ensure existing clients are kept informed of developments in the program.

Ensure that the SR&ED program continues to be a key element in the federal government's Innovation Strategy and related initiatives by fostering partnerships with other departments and agencies.

Ensure awareness of the program among foreign investors by participating in related government programs.

Our Direction FOR THE FUTURE

3

Strategic Direction:

Ensure accessibility to the SR&ED program for small business

Small business forms an important segment of our economy and faces unique challenges in accessing the SR&ED program. To facilitate access for small business, the SR&ED program must concentrate on ensuring awareness of the program, reducing complexity of the program and its claim process, and minimizing the cost of complying with program requirements. To meet this commitment, we will develop client-centred solutions aimed primarily at this target group.

To support this strategic direction, we will deliver the following:

**STRATEGIC
DIRECTION 3:
Ensure access-
sibility to
the SR&ED
program
for small
business**

3

— Key deliverables

Develop and implement initiatives directed at small and medium businesses, including self-employed individuals and sole proprietorships, to facilitate access to the program.

Work with other small business R&D programs, such as the Industrial Research Assistance Program, to increase accessibility and reduce duplication.

Reduce the complexity of documents by streamlining requirements and using plain language to ease the compliance burden.

WHERE CAN I GET MORE INFORMATION?

For more information on the SR&ED program, visit our Web site at www.cra.gc.ca/sred.

You can also contact one of the CRA tax services offices listed below.

LOCATION	TELEPHONE
Halifax	1-866-433-5986 or (902) 426-2386
Québec	1-866-204-0101, ext. 648-7151 or (418) 648-7151
Montréal	(514) 496-1317
Laval	1-888-784-8709 or (514) 338-4198
Ottawa	(613) 598-2106
Toronto Centre	(416) 973-2814
Toronto West	(905) 566-6010
Hamilton	(905) 572-2650
Calgary	(403) 691-5890
Vancouver	1-866-317-0473
Toll-free	1-800-959-5525



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