



CLAIM FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) CARRIED OUT IN CANADA

- 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.cra.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																																								
Business number, social insurance number, or partnership identification number	Claimant's Web site (if available) http://www.																																								
100 Name of contact person	Return for Tax year from: <table style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td></tr><tr><td style="text-align: center; font-size: 8px;">Year</td><td style="text-align: center; font-size: 8px;">Month</td><td style="text-align: center; font-size: 8px;">Day</td><td colspan="4"></td><td style="text-align: center; font-size: 8px;">Year</td><td style="text-align: center; font-size: 8px;">Month</td><td style="text-align: center; font-size: 8px;">Day</td></tr></table> to: <table style="display: inline-table; border-collapse: collapse;"><tr><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td><td style="width: 10px; border-bottom: 1px solid black;"></td></tr><tr><td style="text-align: center; font-size: 8px;">Year</td><td style="text-align: center; font-size: 8px;">Month</td><td style="text-align: center; font-size: 8px;">Day</td><td colspan="4"></td><td style="text-align: center; font-size: 8px;">Year</td><td style="text-align: center; font-size: 8px;">Month</td><td style="text-align: center; font-size: 8px;">Day</td></tr></table>											Year	Month	Day					Year	Month	Day											Year	Month	Day					Year	Month	Day
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105 Telephone number	110 Fax number																																								
142 Is the claim filed for a partnership?	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>																																								
145 If yes, what is the name of the partnership?	_____																																								
150 Percentage of SR&ED expenditures to be allocated from the partnership	_____ %																																								

Certification and Election

I certify that this form, and the related schedules and attachments, have been examined and are true, correct, and complete.

I elect or choose the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for the year. I understand that once I elect or choose a method, my election or choice is irrevocable for the year.

160 I elect to use the proxy method under clause 37(8)(a)(ii)(B) 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

PLEASE DO NOT USE THIS AREA

490 _____ 491 _____ 492 _____

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 than 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)	365	=
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 transferred 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 Tax Credit – Corporation*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, as the case may be.

Part 4 – Background information

The information below is required for the administration of the program.

Expenditures for SR&ED performed by you (line 400 minus lines 340, 345 and 370)		605 _____
A. Sources of funds for SR&ED		
From the total you entered on line 605, estimate the percentage distribution of the sources of funds for SR&ED performed within your organization.		
	Canadian (%)	Foreign (%)
Internal	600 _____	
Parent companies, subsidiaries, and affiliated companies	602 _____	604 _____
Federal grants (should not include funds or tax credits from SR&ED tax incentives)	606 _____	
Federal contracts	608 _____	
Provincial funding	610 _____	
SR&ED contract work performed for other companies on their behalf	612 _____	614 _____
Other funding (e.g. universities, foreign governments)	616 _____	618 _____
B. Business personnel		
Total number of employees		630 _____
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
Managers and administrators	636 _____	Other technical supporting staff
		634 _____
		638 _____
C. Nature of SR&ED activities		
From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:		
Basic research (no specific application in view)	650 _____	Applied research (specific practical application in view)
Development of new: product	654 _____	process
Improvement to existing: product	660 _____	656 _____
		technical services
		662 _____
		technical services
		664 _____
D. Specialized field of research		
Indicate, if applicable, the percentage of the amount on line 605 attributed to the following field of research:		
Software development	670 _____	Biotechnology
		672 _____
		Environmental protection
		674 _____

Complete Claim Checklist

Filing a complete claim will speed up its processing. Before sending your SR&ED claim, check if you have:

- | | |
|--|--------------------------|
| 1. Used the current version of Form T661 to file a current year claim. | <input type="checkbox"/> |
| 2. Signed Form T661 in the "Certification and Election" area of the form (Part 1). | <input type="checkbox"/> |
| 3. Indicated the method for reporting your SR&ED expenditures in fields 160 or 162 in Part 1 of the form. | <input type="checkbox"/> |
| 4. Provide the Project Summary Information for each project, and expenditures (labour, materials and contracts) in Part 2. | <input type="checkbox"/> |
| 5. Submitted the Detailed Project Description for the 20 largest projects in terms of dollar value. | <input type="checkbox"/> |
| 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. | <input type="checkbox"/> |
| 7. Completed Part 4 – Background information. | <input type="checkbox"/> |
| 8. Completed schedules A, B, C or D where applicable. | <input type="checkbox"/> |
| 9. Filed a completed Schedule T2SCH31 – <i>Investment Tax Credit – Corporations</i> , or Form T2038(IND), <i>Investment Tax Credit (Individuals)</i> , to claim ITC on your qualified SR&ED expenditures. | <input type="checkbox"/> |

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.

Schedule A – Third-Party Payments

(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:

- | | |
|--|---|
| <input type="checkbox"/> approved association | <input type="checkbox"/> granting council |
| <input type="checkbox"/> non-profit SR&ED corporation resident in Canada | <input type="checkbox"/> other corporation resident in Canada |
| <input type="checkbox"/> 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 incurred in Canada**

- Repayments of government and non-government assistance (include only the repayments of assistance that previously reduced the deductible SR&ED expenditure pool)
- SR&ED expenditure pool transfer from amalgamation or wind-up

Total (add lines 445 and 452)

445	+	
452	+	
454	=	

Report on line 454 of Part 3, Step 2 of Form T661

Section 2 – Adjustments to Qualified SR&ED Expenditures for ITC purposes

	Current Expenditures	Capital Expenditures
• 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, Step 3 of Form T661

Schedule C – Non-Arm's Length Transactions

	Current Expenditures	Capital 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 –
Total (add lines 522, 526, 538, 544 and add lines 524, 540, 546)	555 =	556 =

Report on line 555 and 556 respectively in Part 3, Step 3 of Form T661

Schedule D – Calculation of the Salary Base and the Prescribed Proxy Amount

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) +	<input type="text"/>
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) -	<input type="text"/>
Subtotal (line 1 less line 2)	3) =	<input type="text"/>
Plus :		
Salaries or wages to specified employees directly engaged in SR&ED (per Section C, column 6 below)	4) +	<input type="text"/>
Salary base (total of lines 3 and 4)	5) =	<input type="text"/>

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	$2.5 \times A \times B \div 365$	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.