



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. File it with your return of income.
If you are filing a T2 corporation return of income, place this form on top of the return so that we can identify your SR&ED claim quickly.
Use a separate form to support SR&ED expenditures incurred by each partnership of which you are a partner.
Use Guide T4088, Claiming Scientific Research and Experimental Development, to help you fill out this form.
If the SR&ED was performed in the province of Newfoundland and Labrador, Nova Scotia, New Brunswick, Québec, Ontario, Manitoba, Saskatchewan, or British Columbia, or in the Yukon Territory, you may be entitled to a provincial or territorial tax credit.
Complete schedules A, B, C, D, E and F, if they apply to your situation.
Prepare and retain schedules to support the breakdown for each expenditure claimed in this form and on the required attachments.
On this form, references to the Act are to the Income Tax Act. References to the Regulations are to the Income Tax Regulations.
All the information requested in this form including the attachments, schedules and any other document supporting your expenditures is prescribed information.

Part 1 - General Information (please print)

Form with fields for Name of claimant, Business Number, Contact person, and Return for tax year. Includes numbered sections 100-155.

Certification and Election

I certify that I have examined the information provided on this form, and on the related schedules and attachments and it is true, correct, and complete.

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for the year. I understand that my election (choice) is irrevocable for this 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 1 Yes []

165 Name of authorized signing officer of the corporation, authorized partner, or individual Signature 170 Date

For Canada Revenue Agency use only

490 491 492

Provide the information requested in Step 1 on separate sheets of paper for each project, and attach them to this form. If you have more than 20 projects, you only need to provide project descriptions for the 20 that are largest in term of dollar value. For step 2, provide the information requested on this form and complete Schedule E. For more information, see Guide T4088, *Claiming Scientific Research and Experimental Development*.

Step 1 – Detailed project description

Identify each of the projects you are claiming and use questions A to E below to help you provide the information we need to process your claim. If the project is continuing from last year and the objective has not changed or been achieved, you can use the same information that you provided last year for questions A, B and C. Include sufficient information to show how your project work meets the requirements of the SR&ED Program.

We recommend that you read Guide T4088 before you answer questions A to E. This will help you understand the type of information the Canada Revenue Agency needs to process your claim and will reduce or eliminate the need for you to submit more information. It will also help you avoid preparing unnecessary information. Most projects can be described in four pages or less. It would be helpful to take into account whether your project involved experimental development work or scientific research work, because the eligibility requirements for these are different. In general, **experimental development** work is done either in or outside a laboratory in order to achieve a technological advancement for creating new, or improving existing materials, devices, products, or processes. Scientific research work is done mostly in a laboratory setting to obtain new scientific knowledge.

A. Scientific or technological objectives – What is the scientific or technological objective of your project? Does this project involve scientific research or experimental development?

B. Technology or knowledge base or level – If your project work is mostly experimental development, what were the technological limitations of the products or processes before you started your project? If your project work is mostly scientific research, what was the extent of existing scientific knowledge in this area?

C. Scientific or technological advancement – What advancement in technology is being sought? What were the problems or challenges that could not be solved using commonly available techniques requiring 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? To what field of science or technology would the advance contribute?

D. Description of work in the tax year – Describe the work, including experiments and analyses, that you did in this tax year to achieve the technological or scientific objectives above. If all or part of the work that you are claiming was performed by contractors, include a description of the work performed on your behalf by the contractors or a copy of the statement of work from the contract.

E. Supporting information – What technical records or documents generated over the course of the work, such as records of trials, test results, progress and final reports, minutes of meetings, employee activity records, prototypes, and new products, are available to support your claim?

Step 2 – Project summary information

Total number of projects you are claiming in this tax year. **200** _____

If you received an amount under the Industrial Research Assistance Program (IRAP) for SR&ED type work, please indicate the amount you received. **206** _____

Complete Schedule E to provide a list of all SR&ED projects for which you are claiming expenditures this year.

Step 1 – Allowable SR&ED expenditures for SR&ED carried out in Canada		
SR&ED portion of salary 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) (see guide)	305	+
Amounts deemed incurred in the year under subsection 78(4) (salary 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 (complete Schedule F):		
• arm's length contracts	340	+
• non-arm's length contracts	345	+
Lease costs of equipment used:		
• all or substantially all (90% of the time or more) for SR&ED	350	+
• primarily (more than 50% but less than 90% of the time) 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	-
• SR&ED ITC claimed last year (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 (complete Schedule B, Section 1)	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 salary or wages) from previous years that were 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 (See Note 1)			504
• qualified expenditures transferred to you (from Form T1146)	508	+	510
less			
• government and non-government assistance, and contract payments	534	-	536
• amounts from lines 552 and 554 of Schedule B, Section 2	552	-	554
• amounts from lines 555 and 556 of 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)*, whichever applies.

Note 1
 The expenditure is deemed to be 1/4 of the capital cost of the equipment. Certain adjustments may be required if the equipment was purchased from a non-arm's length supplier (see the explanations for lines 522 and 524 in the guide).

Part 4 – Background Information

This information is used to administer the SR&ED 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 of 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 (do 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 work		
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 _____	process
		technical services
		technical services
		652 _____
		656 _____
		658 _____
		662 _____
		664 _____
D. Specialized field of research		
Indicate, if applicable, the percentage of the amount on line 605 attributed to the following fields of research:		
Software development	670 _____	Biotechnology
		Environmental protection
		672 _____
		674 _____

Complete Claim Checklist

To speed up the processing of your claim, make sure you have:

1. Used the current version of Form T661 if you are filing a current-year claim.
2. Signed the "Certification and Election" section in Part 1 of Form T661.
3. Indicated the method you have chosen for reporting your SR&ED expenditures in fields 160 or 162 of Part 1.
4. Provided a summary of information for each project, with a breakdown of expenditures (labour, materials, and contracts) as per Schedule E.
5. Submitted a detailed project description of your 20 largest projects in terms of their dollar value.
6. Retained documents prepared to support the SR&ED expenditures claimed in Part 3. If you forget to claim an expenditure, you have up to 12 months after the filing-due date of your tax return for the year to submit an amended Form T661.
7. Completed Part 4 - Background Information.
8. Completed schedules A, B, C, D, E and F, if they apply to your situation, and attached to form T661.
9. Filed a completed Schedule T2SCH31, *Investment Tax Credit – Corporations*, or Form T2038(IND), *Investment Tax Credit (Individuals)*, to claim ITCs on your qualified SR&ED expenditures.

All the information requested in this form including the attachments, schedules and any other document to support your expenditures is prescribed information. You have to file the information that applies to your claim, along with Schedule T2SCH31 or Form T2038(IND), within 12 months of the filing-due date of your income tax return for the year you incurred the expenditures. If you do not meet this reporting deadline, your claim may be rejected.

Schedule A – Third-party payment for SR&ED

(Complete Schedule A if you made only one third-party payment for SR&ED and attach it to Form T661. If you made more than one third-party payment, complete a copy of Form T1263, *Schedule A – Additional – Third-party payment for SR&ED*, for each additional payment and attach them to Form T661.)

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 that you carry on but only if you are 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 that you carry on but only if you are 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. The current version of 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 as a third-party payment on line 370 except for information requested on lines 736, 738 and 740 below. 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.

1. Identification Required information

701 Name of the third-party		
702 Address (Street number and name)		
City	Province / Territory	Postal code
704 Total amount paid in the year \$		

Provide a list of the research projects which relate to the third-party entity

706 Name or code of the projects	
1. _____	4. _____
2. _____	5. _____
3. _____	6. _____

Place a check mark (✓) beside the appropriate category to indicate the type of entity:

711 Approved association	1 Yes	<input type="checkbox"/>
712 Non-profit SR&ED corporation resident in Canada	1 Yes	<input type="checkbox"/>
714 An approved university, college, research institute, or other similar institution	1 Yes	<input type="checkbox"/>
716 Granting council	1 Yes	<input type="checkbox"/>
718 Other corporation resident in Canada	1 Yes	<input type="checkbox"/>
721 Are you dealing at arm's length with the recipient?	1 Yes	<input type="checkbox"/>
	2 No	<input type="checkbox"/>

2. Nature of payment

Place a check mark (✓) beside the appropriate category to indicate the type of work:

The payment is for:	
731 Experimental development	1 Yes <input type="checkbox"/>
732 Applied research	1 Yes <input type="checkbox"/>
734 Basic research	1 Yes <input type="checkbox"/>
736 Briefly explain what the payment is for:	
738 Briefly explain how the SR&ED is related to a business that you carry on:	
740 Briefly explain how you are entitled to exploit the results of the SR&ED:	

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)	445	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
Total (add lines 445 and 452)	454	=	

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

Section 2 – Adjustments to the qualified SR&ED expenditures for ITC purposes

	Current Expenditures		Capital Expenditures
• Unpaid amounts (other than salary 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 <i>Regulations</i>)	530	–	532
• Other deductions (see guide)	548	–	550
Total (add lines 520, 528, 530, and 548, also 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 (attach to Form T661).

Adjustments to the qualified SR&ED expenditures for ITC purposes		Current Expenditures		Capital Expenditures
• Purchases of goods and services from non-arm's length suppliers (except for shared-use-equipment) (see note 1)	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, and 544, also add lines 524, 540, 546)	555	=	556	=

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

Note 1

Subsections 127(11.6) to (11.8) provide rules for determining a taxpayer's expenditures to services rendered by, or property acquired from, a non-arm's length supplier. On line 522, enter the difference, if any, between the amount included in your SR&ED expenditure pool for the purchases of goods and services from non-arm's length suppliers and the expenditure's deemed amount under subsection 127(11.6) (read the guide).

Schedule D – Calculation of Salary Base and Prescribed Proxy Amount

If you are using the proxy method, complete this calculation table and attach it to Form T661.

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. The salary base is the total of salary or wages paid to and incurred for the employees directly engaged in SR&ED in Canada during the year.

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

Section A – Salary base

Salary or wages of employees directly engaged in SR&ED, other than specified employees (from line 300)	810 +	<input type="text"/>
Less: Remuneration based on profits, bonuses, and taxable benefits under sections 6 and 7 of the Act, included on line 810 above	812 -	<input type="text"/>
Subtotal (line 810 minus line 812)	814 =	<input type="text"/>
Plus : Total salary or wages of specified employees directly engaged in SR&ED (per Section C, total of column 6 below)	816 +	<input type="text"/>
Salary base (total of lines 814 and 816)	818 =	<input type="text"/>

Section B – Prescribed Proxy Amount

Calculate 65% of the salary base per line 818 **820** =

Report the PPA on line 502 of Part 3, Step 3 of Form T661.

In certain situations, an overall cap on the PPA may limit the amount otherwise determined (see Table 7 in the guide).

Section C – Determining the salary or wages of specified employees

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

850	852	854	856	858	860
Column 1	Column 2	Column 3	Column 4	Column 5**	Column 6
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED)*	Percentage of time spent on 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
1.					
2.					
3.					
4.					
Total (enter total of column 6 amounts on line 816 in Section A above).					<input type="text"/>

* Do not include bonuses, remuneration based on profits, or taxable benefits under sections 6 and 7 of the Act.

**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 2007, the year's maximum pensionable earnings are \$43,700 (total \$43,700 x 2.5 = \$109,250), and for 2006, the year's maximum pensionable earnings are \$42,100 (total \$42,100 x 2.5 = \$105,250).

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

Schedule E – List of all SR&ED projects claimed in the year (attach to Form T661).

For each project you are claiming, provide the following information using the table below. Expenditures should be recorded and allocated on a project basis.

210	212	214	216	218	220
Project identification: code or name	Start date (yyyy/mm/dd)	Finish date (yyyy/mm/dd) Actual or expected	Total labour expenditures in tax year	Total expenditures of materials in tax year	Total contract expenditures in tax year
1.					
2.					
3.					
4.					
5.					
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8.					
9.					
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50.					

Use copies of this schedule if you have more than 50 projects and attach them to Form T661.

Schedule F – Arm's Length and Non-Arm's Length SR&ED Contracts (attach to Form T661).

Complete this schedule only if the total dollar amount per contractor for the year is greater than \$30,000. If necessary, use copies of this schedule and attach them to Form T661.

Section A – Number of contractors for whom you have to report and provide details in Sections B and C:

Arm's length contractors (complete section B below)		900
Non-arm's length contractors (complete section C below)		920

Section B – Complete this section for each arm's length contractor.

902	904	906	908	910	912
Name of contractor	Contractor's Business No. or GST Registration No.	Number of contracts per contractor	Total dollar amount per contractor greater than \$30,000	Project code for expenditures claimed in the year (if available)	Total contract expenditures in tax year
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
The total of column 912 is included in the total of line 340 in Part 3, Step 1 of Form T661.					Total

Section C – Complete this section for each non-arm's length contractor.

922	924	926	928	930	932
Name of contractor	Contractor's Business No. or GST Registration No.	Number of contracts per contractor	Total dollar amount per contractor greater than \$30,000	Project code for expenditures claimed in the year (if available)	Total contract expenditures in tax year
1.					
2.					
3.					
4.					
5.					
6.					
7.					
8.					
9.					
10.					
11.					
12.					
The total of column 932 is included in the total of line 345 in Part 3, Step 1 of Form T661.					Total