

Good News for Sask Companies Provincial R&D Tax Credits are now Refundable

The Saskatchewan Government, in its March 18th, 2009 budget, has extended a large incentive to businesses, both small and large, to conduct Scientific Research and Experimental Development (SR&ED) in the Province of Saskatchewan.

The SR&ED tax incentive program is a Federal program that encourages companies to conduct SR&ED in Canada by providing a 35 % refundable tax credit or 20 % non-refundable for larger companies. Most of the Provinces have followed up with a Provincial credit, but until this budget, the Provincial 15 % tax credit was non-refundable. This meant that start-ups, non-taxable companies, or companies that had built up a large non-refundable pool were renouncing the Provincial credits in order to enhance the Federal credit.

This has all changed now with the March 18th budget. All Provincial SR&ED credits earned after March 18th, 2009 will be refundable. Please see the benefits of a refundable tax credit in this before and after example.

	Before	After
Wages	50,000	50,000
Proxy 65 % of wages	32,500	32,500
Material	20,000	20,000
Sub-contracts	<u>10,000</u>	<u>10,000</u>
Total eligible for Fed tax credit	112,500	112,500
Tax Credit (Provincial renounced)		
Provincial credit at 15 %	<u>0</u>	16,875
Available for the Federal credit	112,500	95,625
Federal credit at 35 %	39,375	33,469
Total Credit		
Federal and Provincial	\$39,375	\$50,344

The Provincial credit does reduce the amount of the Federal credit, but the good news is that both the Federal and Provincial credits are refundable.

For more information about the SR&ED program or for assistance in filing a SR&ED claim, please contact me. Our firm is an AMC member from Saskatoon.



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