

Scientific Research and Experimental Development (SR&ED) Program Overview

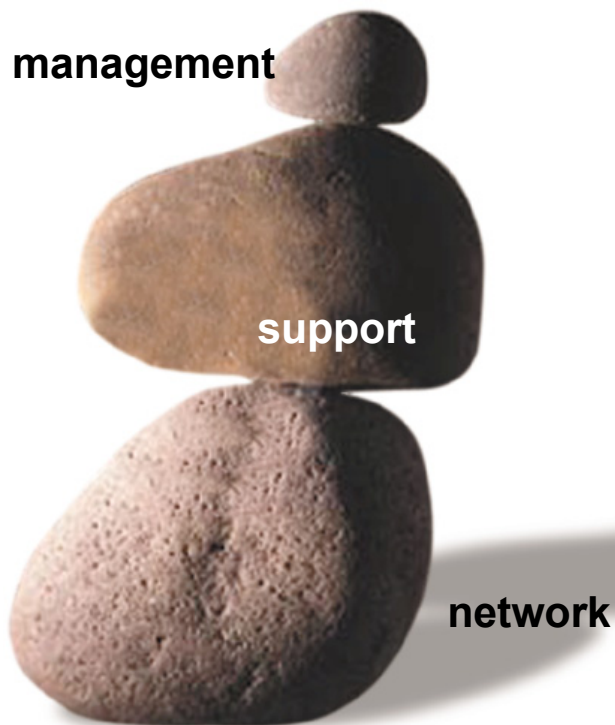
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Management Support Network

Our Goal:

- 1) To provide managers with practical solutions to manage quality, reduce costs and grow sales
- 2) To earn your business and to become a long-term business partner to support your future needs

Our Team:

From our head office in Cambridge, Ontario we manage over 20 Specialists across Canada and the US, specializing in ISO 9000, ISO 14000, TS 16949, Continual Improvement (six sigma, lean manufacturing, kaizen), Health & Safety and SR&ED claims.

Our Experience

We have worked with hundreds of small, medium & large organizations, including Airboss, Algoma, Bank of Nova Scotia, Gap Adventures, GM, Goodyear, HP, Leggett & Platt, Linamar, Magna, OPG, Owens Corning, Northrop Grumman, Pacific-Western, Parmalat, Pattison, Philips, Rheem, Rothmans, Sandvik, Stryker, St. Lawrence Cement, Sun Life & ThyssenKrupp.



SR&ED Cash Refund and/or Tax Credit Opportunity

- The SR&ED program is administered by the federal government - Canadian Revenue Agency (CRA)
- Most organizations in Ontario (ie. Canadian Controlled Private Corporations) are eligible for a cash refund of about 50%(*) of the costs incurred for a “Qualifying Project”
- Most organizations can submit a claim for the work performed in their current tax year and their previous tax year (Note: contact our office for the exact eligibility window for old SR&ED activities)
- Most of the pay-outs are cash refunds (depending on the claim (*)), a portion of the SR&ED benefit may be a tax credit)
- The benefit can be carried back three years or carried forward ten years

Indicators of “Qualifying SR&ED Projects”

- Cost overruns because of unexpected technical problems
- Trial and error testing or experimenting to learn how to make products or to improve processes
- Technical projects that didn’t go as planned or the results were not as good as expected
- Developing new products or processes, or making improvements to existing products and processes.
- Clinical trials
- Lab work performed by your organization, or that was outsourced by your organization.

Also, success or failure of the project is not a requirement for being awarded a successful claim.



Calculating the Size of the Claim

For each Qualifying SR&ED Project, total the cost of :

- 1) Salaries
- 2) Materials
- 3) Sub-contractors
- 4) Possibly Lease Cost of Equipment, or
- 5) Portion of Capital Cost of Equipment

Approximately 50% of your expenses are refunded

(*) Cash Refund/ Tax Credit Calculation

- Ø Salaries are gross-up 65% to cover overhead
- Ø CCPCs get 35% of qualified expenses from federal government
- Ø Non-CCPCs get 20% of qualified expenses from federal government
- Ø 10% from provincial government
- Ø 40% of the capital portion is provided as a cash refund, remainder is a tax credit
- Ø Portion of the provincial refund gets clawed back by the federal government
- Ø Cash refund is taxable in the next tax year

Next Steps

- Select a Resource Team to help the SR&ED Specialist:
 - gather technical information
 - measure project cost
 - identify supporting records
- Set date for SR&ED Kick-Off Training for the Resource Team
- Identify qualifying projects
- Calculate eligible expenses, write technical reports for each project and review the records
- Submit the claim and prepare for an audit

Benefits of Management Support Network Inc.

Quick Preparation of Technical Reports: We have a team of tax credit specialists, engineers, and computer scientists who work with your technical team to quickly prepare the documentation. Many of our clients have been surprised how little time they need to spend with our consultants to prepare the technical reports.

Smooth Processing of the Claim: We know many of the CRA auditors and we know how far to push the limits. Over 90% of our claims are “accepted as filed”. The science auditors have often told us that our reports are “some of the best they have read”.

No Surprises: We have over 25 accounting firms that refer their clients to Management Support Network. We believe our referrals have grown over years because we provide excellent customer service, we complete projects on-time, and we submit large but realistic claims.

Flexible Payment Options: Contingency fees are the most commonly selected method of payment and are negotiable based on the size of the claim. Other payment options are available.

