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Ontario Cuts Provincial R&D Tax Credit

In Canada R&D tax credits are provided at both the federal and provincial (state) levels.

Today the Canadian province of Ontario tabled its 2016 – 2017 budget which included cuts in two of the province's three R&D tax credits:

- The refundable OITC is reduced from 10% to 8%
- The non-refundable ORDTC is reduced from 4.5% to 3.5%
- The refundable OBRI remains unchanged at 20%

These changes apply to expenditures incurred in taxation years ending after June 1, 2016.

A pro-rated reduction will apply for tax years that straddle June 1, 2016.

Given the Ontario's majority government these proposed changes will almost certainly pass into law.

These cuts further widen the gap in R&D tax credits between Ontario and other provinces (most notably Quebec) and are particularly detrimental to public- and foreign-owned corporations for whom the OITC is typically the only available cash refund.

Ontario technology companies may suffer further if Canada's 2016 federal budget – scheduled for March 22nd – contains changes to the federal level SR&ED tax credit that have a knock-on effect to Ontario (e.g. changes to eligible expenditures).

Learn More

For in depth analysis and comparison of Canadian provincial R&D tax credit rules and rates please see Scitax Bulletin #63 Astounding Differences in Provincial R&D Tax Credits available free of charge here:

<http://www.scitax.com/pdf/Bulletin.63.Astounding.Differences.in.Provincial.R&D.Tax.Credits.16-Dec-2015.pdf>

Full text of the Ontario 2016 provincial budget (R&D changes are on pages 333 & 334)

http://www.fin.gov.on.ca/en/budget/ontariobudgets/2016/papers_all.pdf

About Scitax

Scitax Advisory Partners LP is a Canadian professional services firm with specialist expertise in all aspects of planning, preparing and defending Scientific Research and Experimental Development (SR&ED) tax credit claims.

We offer a multi-discipline team of engineers, chartered accountants and tax lawyers to ensure that your SR&ED issues are covered from every angle.

While we normally work in concert with our client's existing accountants, our affiliated tax-dedicated chartered accounting firm – Cadesky Tax – is an expert resource for advice on any taxation matter such as may arise either during the planning and preparation of your claim or while dealing with CRA afterwards.

In addition to planning and preparing new claims, we also engage on claims that have been challenged by CRA auditors or that have received negative assessments for either scientific or expenditure eligibility. If a satisfactory settlement cannot be achieved with CRA at the local office level, we will appeal your assessment through either Notice of Objection or Tax Court of Canada procedures with the assistance of our affiliated firm of tax lawyers.



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