

SR&ED Filings in the Time of COVID

• Special Extensions Do Not Apply to SR&ED

Over past four weeks the Canadian Federal Government has enacted various taxation related measures in response to the COVID-19 crisis. One such measure is the temporary extension of the deadlines for some corporate tax return filings including the T2.

We have had many enquires with respect to how these measures impact the filing of claims for SR&ED (Scientific Research and Experimental Development) investment tax credits.

The temporary extension allows corporate tax returns that would normally be due between 18-Mar-2020 and 1-Jun-2020 to be filed as late as 1-Jun-2020. In broad terms this extension will benefit only corporations with tax years ended between 18-Sept-2019 and 1-Dec-2019. Since most corporations have December 31st year ends, it will benefit relatively few.

However as of this writing (16-Apr-2020) this deadline extension does not apply to the filing of SR&ED claims. Therefore any taxpayer (corporation, individual, or partnership) seeking an SR&ED investment tax credit must file a t661 and schedule 31 together with their tax return in accordance with the normal SR&ED filing deadlines which are:

- 6 months from taxation year end for current filings
- 18 months from taxation year end for an amended filing

Wherever possible, SR&ED claims should be filed on a "current" basis, i.e. not more than 6 months from tax year end, and included with the initial filing of the tax return for that tax year. The reason for this is that the CRA tends to process current filed claims much more quickly than those filed as an amendment.

To date the government has given no reasoning for this anomaly, however one possible explanation is subsection 220(2.2) of the Act, that specifically prevents alteration of the SR&ED filing deadline for ANY reason.

This same section makes SR&ED the only aspect of taxation to be excluded from so-called "fairness" applications; hence no taxpayer should expect to appeal denial of a late-filed SR&ED claim on COVID-related grounds.

Learn More

According to CRA's website the normal (non-extended) deadlines for the filing of corporate tax returns are:

- File your return no later than six months after the end of each tax year. The tax year of a corporation is its fiscal period.
- When the corporation's tax year ends on the last day of a month, file the return by the last day of the sixth month after the end of the tax year.
- When the last day of the tax year is not the last day of a month, file the return by the same day of the sixth month after the end of the tax year.
- When the T2 filing deadline falls on a Saturday, Sunday, or public holiday recognized by the CRA, we will consider the return filed on time if it is sent on the first business day after the filing deadline.

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/corporations/corporation-income-tax-return/when-file-your-corporation-income-tax-return.html>

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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