

Review of ITC rates and limits

Provincial Ontario and Quebec

	ONTARIO	QUEBEC
Basic Prov R&D Tax Credit Rate		
CCPC	10%	30%
Other corps (not CCPC)	10%	14%
Individuals, non-incorporated, LP partnterships	0%	14%
Cash refund for all eligible?	Yes	Yes
Limit?		
Amount	\$3M	none
Theoretical maximum benefit	\$300K	none
Grind by Taxable Income?	Yes	No
Grind by Assets / Taxable Capital?	Yes	Yes
Expenditures Covered		
Wages	100%	100%
Contract payments for R&D service	80%	50%
Materials	100%	0%
Overhead	100%	0%
Minimum Claim Threshold		
Small corp	\$0	\$50K
Large corp	\$0	\$225K
Harmonized?	Yes	No
Claim assessed by	CRA	Rev Quebec
Statute bar period		
CCPC	4 years	3 years
Others	5 years	4 years

Ontario @ 17-Mar-2015

	Corporations (CCPC or not)	Partnerships of Corporations**	Individuals and Partnerships of Individuals
<u>Current expenditures (includes proxy)</u>			
up to expenditure limit	10%, 100% as cash	10%, 100% as cash	0%
above expenditure limit	0%,	0%	0%
<u>Capital expenditures *</u>			
up to expenditure limit	4%, 100% as cash	4%, 100% as cash	0%
above expenditure limit	0%	0%	0%

*** capital expenditures no longer eligible for SR&ED after 1-Jan-2014**

**** Only if the partnership is a partnership of corporations (not individuals); then only to the corporate partners**

Quebec @ 17-Mar-2015

Quebec R&D tax credit rates

	CCPC Corps (<\$50M assets)	Others (incl. un-incorporated, partnerships, individuals)
<u>Current (labour by T4 wages)</u>		
up to expenditure limit	30%, 100% as cash	14%, 100% as cash
above expenditure limit	14%, 100% as cash	14%, 100% as cash
<u>Current (labour by contract payments)</u> ^[1] ^[2]		
up to expenditure limit	30%, 100% as cash	14%, 100% as cash
above expenditure limit	14%, 100% as cash	14%, 100% as cash

[1] only 50% of the amount of the contract payment amount qualifies unless paid to a university or other institution in which case 80% of contract payment amount qualifies

[2] 100% of the contract payment amount qualifies if paid to a partnership or consortium

- ❑ For small corporations, effective 3-Dec-2014 the Quebec provincial R&D benefit rate are standardized to 30%:
 - R&D wages (no change 30%)
 - R&D purchased from a university (up 2%, was 28%)
 - R&D conducted through a research consortium (up 2%, was 28%)
 - R&D conducted through a partnership (up 2%, was 28%)

- ❑ For large corporations, effective 3-Dec-2014 all the Quebec provincial R&D benefit rates are standardized to 14%:
 - R&D wages (no change 14%)
 - R&D purchased from a university (cut by 14%, was 28%)
 - R&D conducted through a research consortium (cut by 14%, was 28%)
 - R&D conducted through a partnership (cut by 14%, was 28%)

- ❑ “Minimum“ claim threshold depending on company assets:
 - \$50K for assets less than or equal to \$50M
 - \$225K for assets greater than \$75M
 - pro-rated \$50M to \$75M

Quebec “Minimum Claim” threshold

..... effective 3-Dec-2014 :

1. Threshold Equation:

- **\$Eligible = Actual \$Spent MINUS \$Threshold**

2. Calculating the \$Threshold:

- **Actual \$Spent*** are T4 wages and contract payments that qualify for Canada SR&ED (**excludes Overhead, Materials and Capital*)
- **\$Threshold** is a variable amount ranging from \$50K to \$225K on a “sliding scale” depending on company size as determined by assets

For companies with assets between \$50M and \$75M, \$Threshold increases by \$0.007 for each \$1.00 of asset above \$50M

Example A: Small company assets <\$50M; \$Threshold = \$50K

Example B: Medium company assets \$60M; \$Threshold = \$120K

Example C: Large company assets >\$75M; \$Threshold = \$225K

Scitax Bulletin #56 “Changes to Québec Provincial R&D Tax Credits”

3-Dec-2014



Changes to Québec Provincial R&D Tax Credits

New Minimum Claim Threshold | Accelerated Benefits Eliminated on Some Transaction Types

In Canada R&D tax credits are provided at both the national (Canada) level and by the individual provinces (states). The total amount of R&D tax credits receivable are therefore a combination of the two amounts. In most cases the provincial level tax credit is automatically triggered by eligibility at federal level and historically has applied to the same expenditures. For the five out of ten Canadian provinces that have opted for “harmonization”, all administration of tax credits is handled by the Canada Revenue Agency (CRA). In other provinces the eligibility of scientific assessment is made by the CRA and the provincial tax authority handles the financial side of the transaction.

Download:

<http://www.scitax.com/pdf/Bulletin.56.Changes.to.Quebec.RD.Credits.3-Dec-2014.pdf>