



Bulletin

Number 83 | April 3, 2026

SR&ED R&D tax credits now increased know what it means for you

April 3, 2026

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About

David Hearn – Managing Director Scitax Advisory Partners LP



David Hearn is a senior expert on Canada's Scientific Research and Experimental Development ("SR&ED") R&D tax credit program.

Since entering the field of tax credits in 1993, he has handled or supervised thousands of successful SR&ED filings.

Prior to forming the Scitax Partnership back in 2006, David was a member of the tax credit practice of an international accounting firm.

In addition to crafting highly effective SR&ED submissions, David's expertise encompasses negotiating settlements with CRA, preparing notice of objection appeals, assisting legal counsel in Tax Court of Canada actions and providing expert witness testimony at court.

Before embarking on his tax consulting career, David held R&D and engineering positions in the electronics industry.

Scitax Advisory Partners LP

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.

Our services include identification of eligible R&D work, preparation of technical submissions, compliance systems and negotiating claim settlements with Canada Revenue Agency.

Scitax works on a non-competitive basis with the accounting firm of your choice.

In 2026, Scitax celebrates its 20th anniversary.

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the Topline summary

1. Canada's 2025 federal budget enacted substantial increases to SR&ED for taxation years beginning on or after December 16th 2024. These increases largely reverse severe cuts made by the Harper parliament back in 2012.
2. The biggest "winners" in this are Canadian-owned public corporations and corporations with high spends on R&D equipment or lab facilities .
3. High spenders win because the "expenditure limit" is raised from \$3M to \$6M and the extent to which it is ground down by company "wealth" is lessened.
4. A new class of SR&ED eligible corporation is created – the Eligible Canadian Owned Public Corporation or "ECPC" which gives private and public corporations equal entitlement to high-rate cash refundable SR&ED ITCs for the first time.
5. As of now, the extent to which individual provinces will adjust their R&D tax credits to follow the changes set out in the 2025 federal budget is uncertain.
6. There are complex rules around commercial transactions in connection with SR&ED claims e.g. buying / selling R&D services, equipment purchases.
7. Finally, it's important to understand that government grants and loans (IRAP, RDII, SADI, SIF etc.) can substantially reduce SR&ED ITCs.

How good is it?

**Case Example: SpaceCo Inc.
compares three scenarios**

- 1. before the 2012 cuts**
- 2. until budget 2025**
- 3. after budget 2025 – i.e. now!**

Effective for TYs starting on after 16-Dec-2024

1. **Expenditure limit raised from \$3M to \$6M per company**
 - more cash for high R&D spenders
 - above \$6M gets less ITC, but still no upper limit
 - higher thresholds for onset of expenditure limit grind
 - was \$10M to \$50M now \$15M to \$75M
 - new PY average gross revenue method for calculating expenditure limit grind
2. **Some Canadian public corporations – ECPC – now get high rate cash refundable ITCs**
 - was 15% no cash
 - now 35% up to 100% cash
 - extends the growth runway of private SMEs into IPO
 - may allow smaller public corps to immediately monetize ITCs
3. **Restores capital equipment eligibility:**
 - lab instruments, test equipment, CAD / engineering software now eligible
 - acquired “after” 16-Dec-2024 (subject to 127(11.2) “available for use rule” ?)

Assumptions for SpaceCo Inc. example

All calculations in this presentation use the following assumptions:

NB: ITC amounts are estimates derived from approximate calculations

1. Province: Ontario

2. NO Expenditure Limit Grind

i.e. PY taxable income <\$500K, PY avg gross revenue<\$15M and PY taxable capital <\$15M

3. R&D T4 salary wages \$4,000,000

4. Overhead by proxy method \$2,200,000

5. R&D subcontractors \$600,000

6. Materials consumed in R&D \$400,000

7. Capital equipment ASA for R&D \$600,000

How good could budget 2025 be for SpaceCo Inc?

SpaceCo Inc. Corporate Structure

CHANGE UNDER BUDGET 2025

	Change in Total SR&ED (ITC + Refund)	Change in Refund Component Only
if CCPC (Canadian Controlled Private Corp)	34%	60%
if ECPC Eligible Canadian Owned Public Corp	89%	904%
if Other / Foreign Corp (Other Corp)	7%	0%

ASSUMPTIONS

NB: ITC amounts are estimates derived from approximate calculations

1. Province: Ontario

2. NO Expenditure Limit Grind

i.e. taxable income <\$500K, gross revenue<\$15M and taxable capital <\$15M

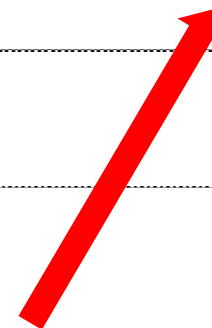
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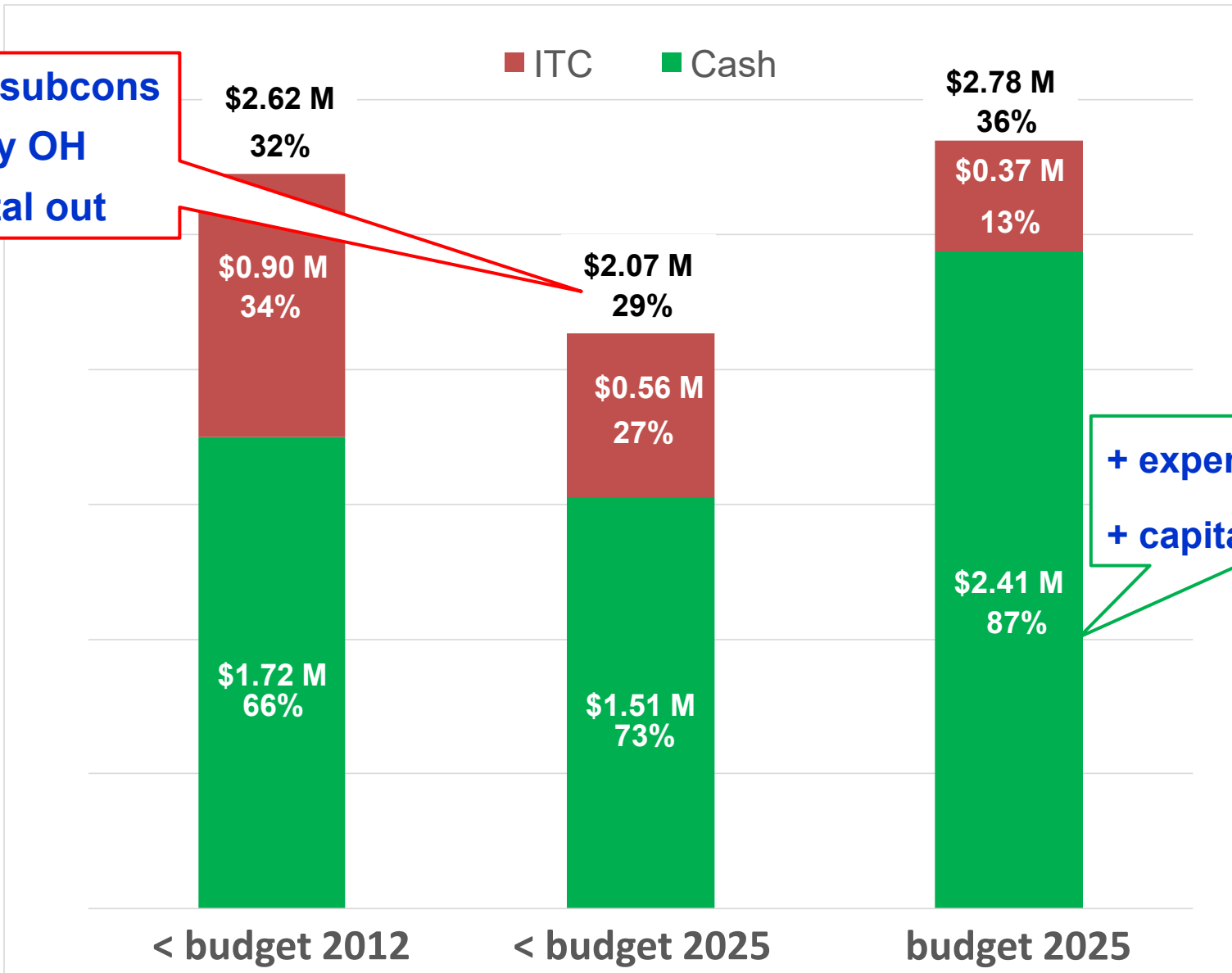
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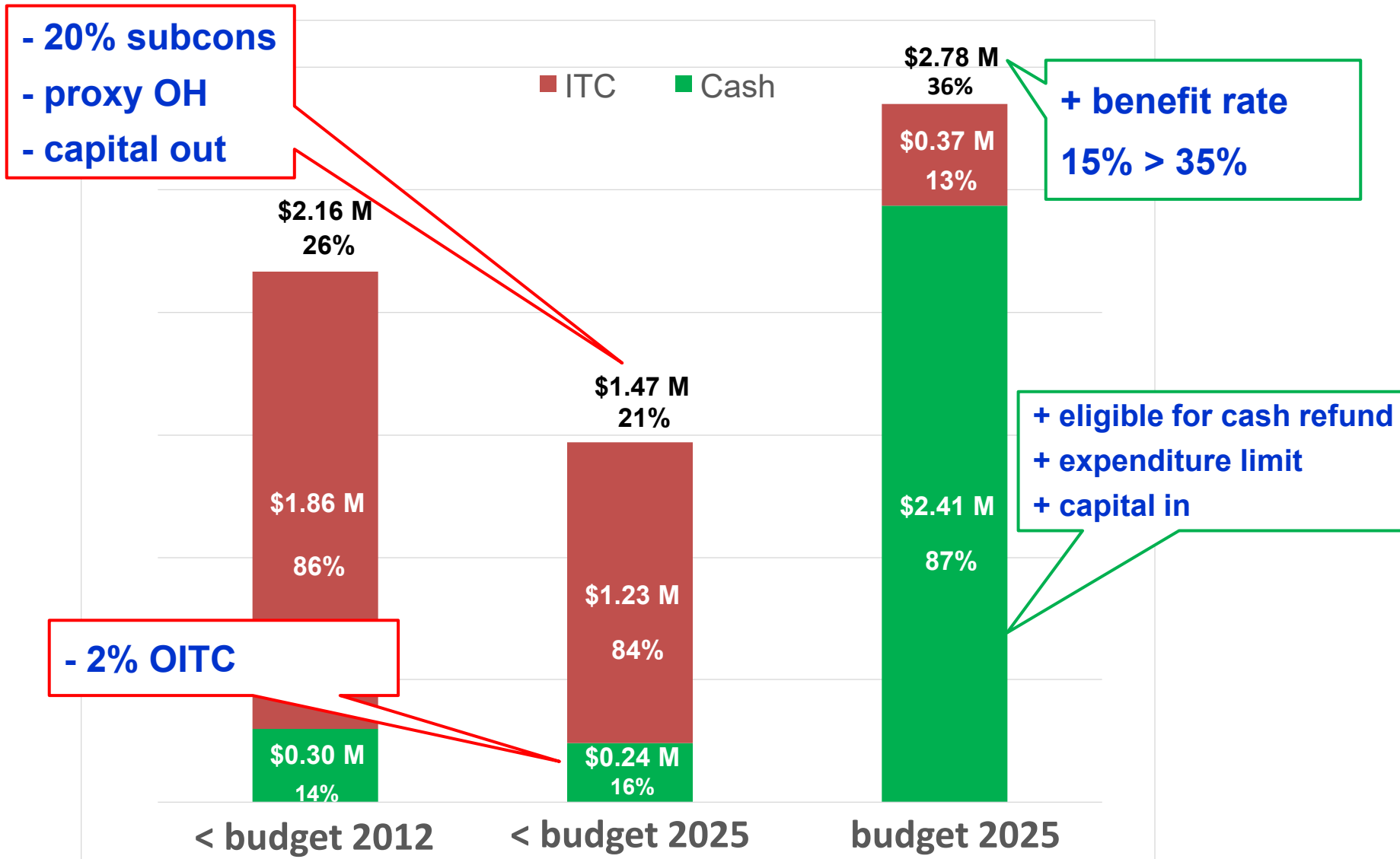
SR&ED mix: SpaceCo Inc. as CCPC 2012 vs 2025

- 20% subcons
 - proxy OH
 - capital out

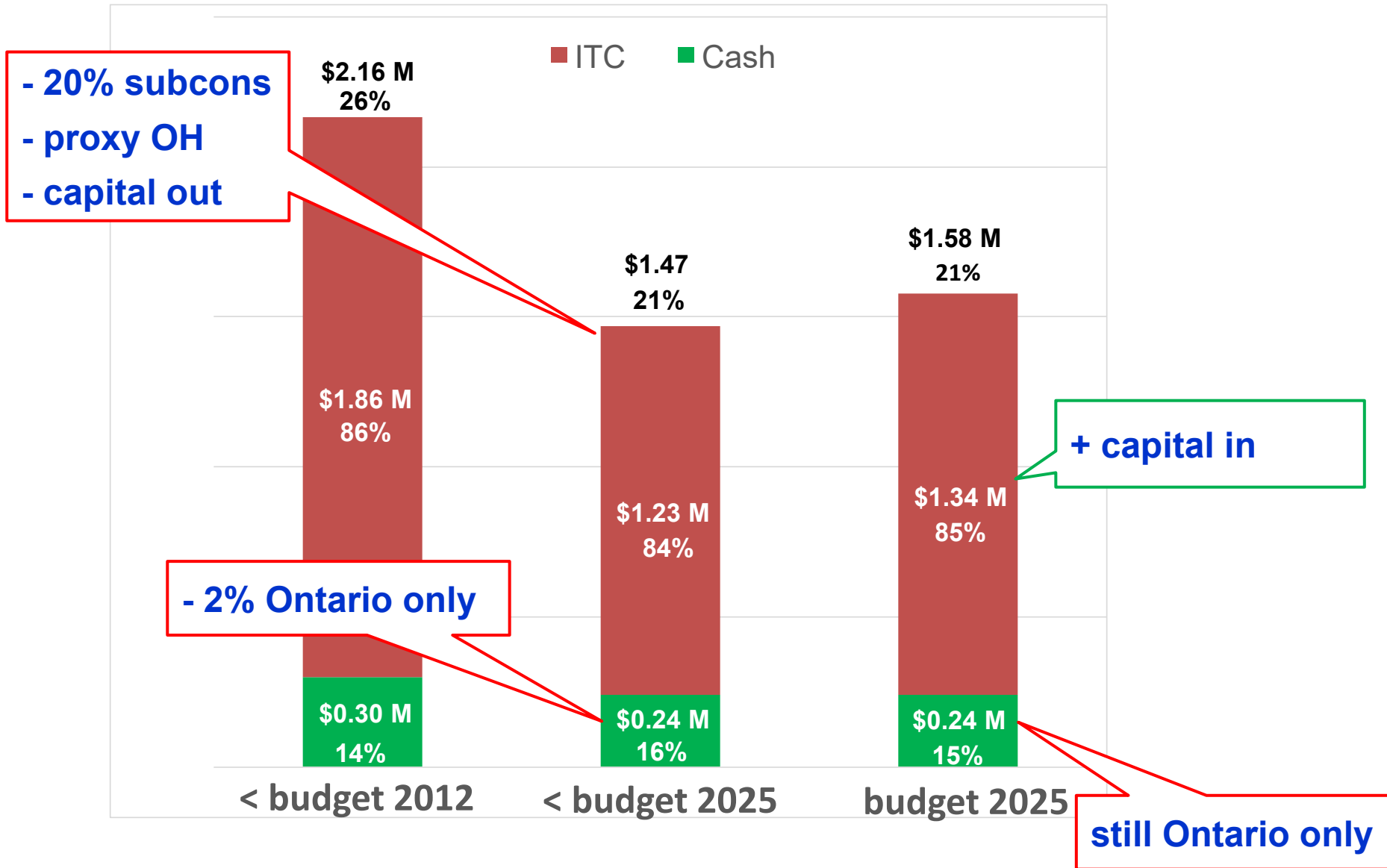


+ expenditure limit
 + capital in

SR&ED mix: SpaceCo Inc. as ECPC 2012 vs 2025



SR&ED mix: SpaceCo Inc. as Foreign Owned 2012 vs 2025



CONTACT

David Hearn
Managing Director
Scitax Advisory Partners LP

www.scitax.com

dhearn@scitax.com
(416) 646-2212

The Exchange Tower
130 King Street West Suite 2300 PO 233
Toronto, Ontario M5X 1C8