

Effective Dates for Budget 2025 SR&ED Boosts, Now in Force

- When to start claiming under the new rules?
- Potential opportunity to claim capital equipment purchased prior to 16-Dec-2024?
- Are provincial and federal legislation properly aligned?
- When will updated tax forms and software be ready?

Canada's 2025 federal budget featured several significant enhancements to the Scientific Research and Experimental ("SR&ED") investment tax credit program. Although the budget was first tabled in Parliament on November 4, 2025, the SR&ED measures did not come into effect until the legislation enacting them (Bill C-15) received Royal Assent on March 26, 2026. So, the boosts to SR&ED are now "live", but there are several timing issues to be considered:

PART 1 - MEASURES and TIMING

In summary, the Budget 2025 SR&ED changes and their effective in-force dates are:

- **Equal ITCs for Public and Private Corporations That Are Canadian-Owned:** A new category of corporation - the **Eligible Canadian Public Corporation (ECPC)**- was created that, for the first time, gives certain public corporations and their subsidiaries access to the same 35% cash refundable SR&ED ITCs (rather than 15%) as a Canadian-controlled private corporation (CCPC). This makes SR&ED much more attractive to public corporations. Applies to taxation years that begin after December 15, 2024.
- **Higher expenditure limits:** The maximum annual expenditure limit for the enhanced 35% investment tax credit (ITC) has increased from \$3 million to \$6 million. This measure substantially increases the amount of SR&ED ITCs for eligible Canadian-owned corporations (CCPCs and ECPCs) that have high R&D spend levels. Applies to taxation years that begin after December 15, 2024.

- **Raising the grind onset thresholds and changing the mechanism:** For a CCPC, the expenditure limit for the enhanced 35% ITC will now phase out over a broader taxable capital range, from \$15 million to \$75 million. Also, the CCPC can elect to calculate this grind based on gross revenue (still \$15M to \$75M) rather than on “taxable capital employed in Canada”. For an ECPC, the test is based only on gross revenue. These measures reduce the extent to which corporate “wealth” or high revenue diminishes SR&ED ITCs. Applies to taxation years that begin after December 15, 2024.
- **Restored SR&ED on capital equipment expenditures:** After having been excluded from SR&ED since 2014, expenditures for the purchase or lease of R&D-purpose capital equipment once again count for SR&ED. This means ITCs can be claimed for test instruments, lab apparatus, scientific / engineering software licenses, computer workstations, environmental chambers, 3D printers and testers that are used for R&D. Such expenditures become immediately deductible from income as well. Unlike the other measures, this change applies to expenditures made after December 15th, 2024.

PART 2 - CONSIDERATIONS and ISSUES

Capital Equipment Prior to December 16, 2024? As shown above, the effective dates for all the budget 2025 SR&ED changes, except for capital equipment, are defined in terms of the tax year: taxation years that begin after December 15, 2024. However, for capital equipment, Bill C-15's reinstatement of ITA 37(1)(b) isn't worded in terms of the taxation year; rather, the in-force rule for the amendments to section 37 reads:

- *(10) Subsections (1) to (9) apply in respect of property acquired on or after December 16, 2024 and, in the case of lease costs, to expenditures incurred on or after December 16, 2024.*

So, on its face, this rule applies to expenditures made after December 15, 2024. However, there is another rule that may effectively override this, for purposes of ITC claims (but not expense deductibility). Subsection 127(11.2), as amended by Bill C-15, provides:

- *(11.2) Time of acquisition - In applying subsections (5), (7) and (8), paragraphs (a) and (a.1) of the definition “investment tax credit” in subsection (9) and section 127.1, qualified property and first term shared-use-equipment are deemed not to have been acquired by a taxpayer - and expenditures incurred to acquire property described in paragraph 37(1)(b) are deemed not to have been incurred - before the property is considered to have become available for use by the taxpayer, determined without reference to paragraphs 13(27)(c) and (28)(d).*

This amended 127(11.2) rule, in conjunction with 248(19), 13(26), 13(27) and Interpretation Act subsection 42(3), leads to a strong technical argument that, for purposes of determining SR&ED investment tax credits (as well as the refundable credit in section 127.1), **capital expenditures might be deemed not acquired until the property is “available for use”**. This creates a potential opportunity to claim SR&ED on equipment expenditures purchased by December 15, 2024 if the equipment was not yet delivered or in service by that date.

For example, if an R&D-purposed environmental chamber was ordered, paid for and even delivered in September 2024, but not hooked up or usable until January 2025, the ITC for the cost of that chamber might well be claimable in the SR&ED claim for the tax year ending December 31, 2025. It's not certain this will be allowed, as the CRA may initially disagree (and it's possible the Department of Finance will propose amendments to the legislation to change this interpretation).

Alignment With Provincial R&D Tax Credits: While SR&ED itself is a Canadian Federal Government program, essentially all Canadian provinces have their own provincial level add-on R&D tax credits that are usually linked to it. Generally, any R&D activity that the CRA rules eligible for SR&ED will also qualify for the provincial tax credit as well. However, these provincial credits typically have their own rules for what type and level of expenditures they apply to. For example, Quebec does not count overhead, whereas Ontario does. Ontario's credit allows expenditures only up to the old (\$3M) expenditure limit whereas Quebec does not impose that limit. As of now there is considerable uncertainty around the extent to which the individual provinces will adjust the parameters of their own tax credit programs to align with the budget 2025 changes in SR&ED. As of this writing, only British Columbia has moved to confirm that alignment. BC's February 17, 2026 budget explicitly includes measures to make its 10% provincial R&D credit apply to the same expenditures as the federal SR&ED (including capital equipment), to adjust the expenditure limit upward from the old \$3M to \$6M and implement the same expenditure limit grind thresholds (\$15M to \$75M vs \$10M to \$50M). Other provinces may follow suit, but as now the extent of that is unclear.

Tax Forms and Software: As of this writing, the current versions of SR&ED claim forms do not yet encompass the Budget 2025 changes which, as noted, took effect just a few weeks ago. For example, the T661 form available [as of this writing](#) does not have a line for capital equipment; similarly, the T2 Schedule 31 (T2SCH31) does not reference the budget 2025 changes to the grind thresholds. Although we haven't checked all tax preparation software, the one we use (Wolters Kluwer Taxprep) doesn't have updated forms either (although a new release promised for May 2026 may do so). Given that most SR&ED-claiming corporations will seek to file their T2s by June 30th, this is a significant concern.

[Learn More](#)

[Latest CRA-published list of provincial and territorial R&D tax credits \(except Quebec\)](#)

[Quebec's new provincial Tax Credit for R&D, Innovation and Pre-Commercialization \(CRIC\)](#)

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We work on a non-competitive basis with our client's chosen accountants and tax preparer. We deliver our work in digital file formats ready for direct import into most industry standard tax preparation software.

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