



CLAIM FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) IN CANADA

- To claim SR&ED carried on in Canada during the year, complete this form and file it with the income tax return for that year.
A corporation filing Form T661 should place it on top of the T2 return, so that we can identify the SR&ED claim quickly.
The Guide to Form T661 (T4088 E) gives you line-by-line instructions on how to complete Form T661.
You may be able to use the simplified claim form T665 if you file the claim for a corporation with allowable SR&ED expenditures of \$200,000 or less for the year.
On this form, legislative references are to the Income Tax Act, and regulatory references are to the Income Tax Act Regulations.

Complete Claim Checklist

Filing a complete claim will speed up its processing. Before sending your SR&ED claim, check if you have:
1. Used the current version of Form T661 to file a current year claim...
2. Signed Form T661 in the "Certification and Election" area below...
3. Indicated the method for reporting your SR&ED expenditures...
4. Provided the Project Summary Information...
5. Submitted the Detailed Project Description...
6. Recorded all your SR&ED expenditures in Part 3...
7. Completed Part 4 - Background Information.
8. Completed, if applicable, a schedule for Third-Party payments...
9. Filed a complete Schedule T2SCH31- Investment Tax Credit - Corporations or form T2038 (IND.)...

Part 1 - General Information (please print)

Name of claimant, Business address and postal code, Business number, social insurance number, or partnership identification number, Return for taxation year from, Name of contact person, 105 Telephone number, 110 Fax number, 142 Is the claim filed for a partnership?, 145 If yes, what is the name of the partnership?, 150 Percentage of SR&ED expenditures to be allocated from the partnership

Certification and Election

I certify that this form, and the related schedules and attachments, have been examined and are true, correct, and complete.
I elect or choose the following method to calculate my SR&ED expenditures and related ITCs for the year. I understand that once I elect or choose a method, my election or choice is irrevocable for the year.
160 I elect to use the proxy method under clause 37(8)(a)(ii)(B)
162 I choose the traditional method
165 Name of individual, authorized signing officer of the corporation, or authorized partner
170 Signature Date

PLEASE DO NOT USE THIS AREA
490 _____ 491 _____ 492 _____ 032

For Steps 1 and 2 below, use separate sheets of paper and attach to Form T661 (see Guide for explanations).

Step 1 – Project Summary Information

Total number of projects you are claiming in this taxation year **680** _____

If you received an amount under the Industrial Research Assistance Program (IRAP), please indicate the amount received **206** _____

(Provide the information for all the projects that you are claiming in this taxation year in the following tabular format:)

Project identification: code and name	Start date (yy/mm/dd)	Finish date (yy/mm/dd) Actual or expected	Total labour expenditures

Step 2 – Detailed Project Description

For each project listed in Step 1 above, identify the project and answer the questions **A** to **E** below.

- A. What is the technological objective of the work?
- B. How would the success of your work advance the technology? Explain the advance being sought from the perspective of the current technology or scientific knowledge that is available to your company. If your work was to create new, or improve existing materials, devices, products, or processes, what characteristics or capabilities not previously existing or available have been incorporated into a new or existing process or product that enhance their performance as a result of your work?
- C. Explain what scientific or technological uncertainty you have to resolve to achieve the advancement in B above. What technical problems were you trying to solve that you could not solve by using commonly available experience or standard practices. Include enough detail to show that these were other than routine problems.
- D. Describe the work undertaken this year to resolve the above technical problems. Describe the approach you used, the new designs attempted, the experiments, the analysis, the interpretation of the results and the conclusions realised. Your description should demonstrate the systematic nature of the investigation, such as analyses and experiments performed, interpretation of the results obtained, and conclusions made. If all or part of the work that you are claiming was performed by contractors, describe what work was performed by the contractors and include a copy of the statement of work from the contract. What progress was made towards the scientific or technological objectives (from A above) as a result of this work?
- E. List the records, documents, test results, prototypes, models, new products etc. generated over the course of the work this year that are available to substantiate the work described in D above.

Part 3 – Summary of SR&ED Expenditures

Step 1 – Allowable SR&ED expenditures for SR&ED carried on in Canada

SR&ED portion of salaries or wages of employees directly engaged in the SR&ED:		
• employees other than specified employees	300	+
• specified employees (do not include bonuses or remuneration based on profits)	305	+
Amounts deemed incurred in the year under subsection 78(4)	310	+
Unpaid amounts deemed not incurred in the year under subsection 78(4)	315	
Cost of materials consumed in the prosecution of SR&ED	320	+
Cost of materials transformed in the prosecution of SR&ED (enter "0" if you use the proxy method)	325	+
Expenditures for SR&ED contracts performed on your behalf (complete Schedule B):		
• arm's length contracts	340	+
• non-arm's length contracts	345	+
Lease costs of equipment used:		
• all or substantially all (ASA) (90% or more) for SR&ED	350	+
• primarily (more than 50% but less than 90%) for SR&ED. Enter only 50% of the lease costs if you use the proxy method. If you use the traditional method, enter "0".	355	+
Overhead or other expenditures. Enter "0" if you use the proxy method.	360	+
Subtotal (add lines 300 to 360 - do not add line 315)	365	=
Third-party payments (see Schedule A below)	370	+
Total current SR&ED expenditures (add lines 365 and 370)	380	=
Capital expenditures (for ASA equipment, see Guide)	390	+
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=

Step 2 – Pool of deductible SR&ED expenditures			
Amount from line 400			
Less			
• government and non-government assistance for expenditures included on line 400		430	-
• previous year's ITC claimed for SR&ED (other than ITC on shared-use equipment)		435	-
• sale of SR&ED capital assets and other deductions		440	-
			=
Add			
• repayments of government and non-government assistance		445	+
• previous year's balance in pool of deductible SR&ED expenditures		450	+
• SR&ED expenditure pool transfer from amalgamation or wind-up		452	+
• amount of ITC recaptured in the previous taxation year		453	+
Subtotal (If the amount is negative, enter "0" and add to income in the year)		454	=
Amount available for deduction (enter the amount of line 454 if it is positive)		455	
Deduction claimed in the year		460	-
Current year's balance in the pool of deductible SR&ED expenditures		470	=

Step 3 – Qualified SR&ED expenditures for ITC purposes (lines 500 to 570).			
Enter the breakdown between current and capital expenditures			
		Current	Capital
Total of current and capital expenditures for SR&ED (from lines 380 and 390)	492		496
Plus			
• Unpaid amounts from prior years that are paid in the year under subsection 127(26)		500	+
• Prescribed proxy amount (see Guide). Enter "0" on line 502 if you use the traditional method.		502	+
• Expenditures on shared-used equipment (25% of the capital cost of the equipment)			504
• Qualified expenditures transferred to you (from Form T1146)		508	+
Subtotal		=	=
Less			
• Unpaid amounts deemed not to be incurred in the year under subsection 127(26)		520	-
• Reduction of qualified expenditures for purchases of goods and services from non-arm's length suppliers		522	-
• Expenditures for non-arm's length SR&ED contracts (from line 345)		526	-
• Current expenditures for SR&ED contract paid or payable to, or for the benefit of a person or partnership that is not a taxable supplier in respect of the expenditures		528	-
• Prescribed expenditures (Section 2902 of the Regulations)		530	-
• Government and non-government assistance, and contract payments		534	-
• Assistance allocated to you (from Form T1145)		538	-
• Qualified expenditures you transferred (from Form T1146)		544	-
• Other deductions (see Guide)		548	-
Subtotal		552	=
SR&ED qualified expenditure pool (line 552 plus line 554)			555
Plus			
Repayments made in the year of government and non-government assistance, and contract payments		560	+
Total SR&ED expenditures qualifying for ITC purposes (line 555 plus line 560)		570	=

Part 4 – Background Information

Expenditures for SR&ED performed by you (line 400 minus line 340, 345 and 370) **605** _____

A. Sources of funds for SR&ED
 From the total you entered on line 605, estimate the percentage distribution of the sources of funds for SR&ED performed within your organization

	Canadian (%)	Foreign(%)
Internal	600 _____	
Parent companies, subsidiaries, and affiliated companies	602 _____	604 _____
Federal grants (should not include funds or tax credits from SR&ED tax incentives)	606 _____	
Federal contracts	608 _____	
Provincial funding	610 _____	
SR&ED contract work performed for other companies on their behalf	612 _____	614 _____
Other funding (e.g. universities, foreign governments)	616 _____	618 _____

B. Business personnel

Total number of employees **630** _____

SR&ED personnel (full-time SR&ED staff, plus full-time equivalent for staff engaged part-time in this activity):

Scientists and engineers	632 _____	Technologists and technicians	634 _____
Managers and administrators	636 _____	Other technical supporting staff	638 _____

C. Nature of SR&ED activities
 From the total you entered on line 605, estimate the approximate distribution of your SR&ED effort:

Basic research (no specific application in view)	Applied research (specific practical application in view)
Development of new: product 650 _____	process 656 _____
Improvement to existing: product 654 _____	technical services 658 _____
	process 660 _____
	technical services 662 _____
	technical services 664 _____

D. Specialized field of research
 Indicate, if applicable, the percentage of the amount on line 605 attributed to the following field of research:

Software development	670 _____	Biotechnology	672 _____	Environmental protection	674 _____
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Schedule A – Third-Party Payments (Please provide the information on separate sheets)

- See Guide to Form T661 for explanations.
- A third-party payment does not include a payment made for SR&ED contracts to be performed on your behalf.
- If you have made third-party payments, prepare a schedule and show the amount on line 370 on page 2 of this form.

1. Give the name and address of the entity and indicate whether the entity is 1. an approved association, 2. non-profit SR&ED corporation resident in Canada, 3. an approved university, college, research institute, or other similar institution, 4. a granting council, or 5. an other corporation resident in Canada.
2. Indicate whether you are dealing at arm's length or at non-arm's length.
3. Give the total amount (\$) paid in the year.
4. Provide a list of the research projects, the personnel performing the research, and a summary of the capital spending.
5. Briefly explain: 1. what the payment covers; 2. how the SR&ED is related to a business that you carry on; 3. how you are entitled to exploit the results of that SR&ED.

Schedule B – Expenditures for SR&ED Contracts (If you need more space, use additional sheets)

Section A – Number of contractors for whom you have to report:

Arm's length contractors (Complete section B)	700 _____
Non-arm's length contractors (Complete section C)	710 _____

Section B – Complete this section for each arm's length contractor on line 700.

720	722	724	726	728	730
Name of contractor	Contractor's Business No. or GST Registration No.	Number of Contracts One More	Total dollar amount of the contract(s) greater than \$30,000	Project code for expenditures claimed in the year	Contract expenditures incurred in the year
Total of contract expenditures incurred in the year					
Add: Total contract expenditures for other contractors for whom your contract expenditures for the year are \$30,000 or less					735 _____
Total contract expenditures to report on line 340					736 _____

Section C – Complete this section for each non-arm's length contractor on line 710.

760	762	764	766	768	770
Name of contractor	Contractor's Business No. or GST Registration No.	Number of Contracts One More	Total dollar amount of the contract(s) greater than \$30,000	Project code for expenditures claimed in the year	Contract expenditures incurred in the year
Total expenditures incurred in the year					
Add: Total contract expenditures for other contractors for whom your contract expenditures for the year are \$30,000 or less					775 _____
Total contract expenditures to report on line 345					776 _____