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## Accounting For Your Future®

### ARE YOU CLAIMING SR&ED INVESTMENT TAX CREDITS? THE FORMS HAVE CHANGED!

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Effective for December 31, 2008 and later year ends, the Canada Revenue Agency (CRA) has redesigned form T661, which is used to report qualified Scientific Research and Experimental Development (SR&ED) expenditures for investment tax credits (ITCs).

The calculation of the credits and the expenditures that qualify for them have not changed. However, GGFL will require additional information from you in order to complete your tax returns, and your technical staff will need to prepare their SR&ED project descriptions in a different, more specific format.

In order to ensure that your tax return is completed as efficiently as possible, we have prepared this guide to the new T661 form and ask that you complete the relevant information in advance of our year-end work. **If any of the information on the T661 form is incomplete, the claim will be rejected by the CRA.**

If you require further information, please contact your GGFL advisor. More details are also available in the complete CRA guide to form T661, currently available at: <http://www.cra-arc.gc.ca/E/pub/tg/t4088/>

(Numbers in brackets below – such as [100] – refer to boxes on the attached T661 form.)

#### Part 1 – General Information

- [100], [105], [110] – enter name, phone and fax for contact for financial information
- [115], [120], [125] – enter name, phone and fax for contact for technical information

#### Part 2 – Project Information

**(Note: A separate “Part 2” must be completed for each project being claimed!)**

- **Section A** (Project Identification) [200] to [232] must be completed for every project. Note that for [206] (“Field of science or technology code”), you must refer to the list in Appendix 1 for the appropriate code.
- Either **Section B** or **Section C** must be completed for every project, depending on whether it is experimental development (Section B) or basic or applied research (Section C). **These sections replace the project description narrative that was previously attached to the claim. For these sections only, the CRA has indicated that you may use a separate document as long as the questions are clearly labelled.** For Section B, boxes [235] to [238] should be completed on the T661 form, not the separate document.
- The Section B questions are:
  - [240] – “What technological advancements were you trying to achieve?” (**Maximum 350 words**).
  - [242] – “What technological obstacles did you have to overcome to achieve those advancements?” (**Maximum 350 words**).
  - [244] – “What work did you perform in the tax year to overcome those technological obstacles? (Summarize the systematic investigation)” (**Maximum 700 words**).

- The Section C questions are:
  - [250] – “Describe the scientific knowledge that you were trying to advance.” (**Maximum 350 words**).
  - [252] – “Summarize the work performed in the tax year, and explain how that work contributed to the advancement of scientific knowledge. (Summarize the systematic investigation)” (**Maximum 350 words**).
- Refer to Appendix 3 of this document for the CRA’s recommended areas to cover in [240] to [252].
- **Section D** ([253] to [282]) is required for each project. The person who prepared the report, along with other employees involved in the project, are to be listed. In addition, the type(s) of supporting documentation being retained in the company’s files must be specified. Appendix 2 gives more details on recommended supporting documentation to be retained.
- **Section E** is required for each project. You should ensure that the total of each of [285] to [289] for all projects combined equals the financial information provided to GGFL for Part 3 below.

**Parts 3, 4 and 5 – Calculations**

- GGFL will complete these parts (not attached to this document). As in the past, you will need to provide us with a summary of the salary, contract, material and capital expenditures you plan to claim for each project.

**Part 6 – Additional information**

- [600] to [618] – enter percentages for the sources of funds to undertake SR&ED activities
- [632] to [638] – enter the number of SR&ED personnel being claimed in each of these categories

**Parts 7 and 8 – Checklist and Certification**

- To be completed by GGFL

**Appendix 1**

- Lists field of science and technology codes required for box [206] in Part 2

**Appendix 2**

- Gives examples of supporting documentation to be kept on hand

**Appendix 3**

- Gives suggestions for areas to cover when describing projects in [240] to [252]

**January 2010**



### SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) EXPENDITURES CLAIM

**Use this form:**

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

**To claim an ITC, use either:**

- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: [www.cra.gc.ca/sred](http://www.cra.gc.ca/sred).

#### Part 1 – General information

Complete this part for the business making the claim.

<b>010</b> Name of claimant  Tax year From: <table style="display: inline-table; border: none;"><tr><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td></tr><tr><td style="text-align: center;">Year</td><td style="text-align: center;">Month</td><td style="text-align: center;">Day</td><td colspan="4"></td><td></td></tr></table> To: <table style="display: inline-table; border: none;"><tr><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td><td style="border: 1px solid black; width: 20px; height: 15px;"></td></tr><tr><td style="text-align: center;">Year</td><td style="text-align: center;">Month</td><td style="text-align: center;">Day</td><td colspan="4"></td><td></td></tr></table>									Year	Month	Day														Year	Month	Day						Enter one of the following:  Incorporated business: _____ <div style="text-align: right; margin-right: 50px;">Business Number (BN)</div>  Individual: _____ <div style="text-align: right; margin-right: 50px;">Social Insurance Number (SIN)</div>  Partnership: _____ <div style="text-align: right; margin-right: 50px;">Partnership Identification Number (PIN)</div>
Year	Month	Day																															
Year	Month	Day																															
<b>050</b> Total number of projects you are claiming this tax year:	<b>105</b> Telephone number/extension	<b>110</b> Fax number																															
<b>100</b> Contact person for the financial information	<b>120</b> Telephone number/extension	<b>125</b> Fax number																															

<b>151</b> If this claim is filed for a partnership, was Form T5013 filed? .....	1	<input type="checkbox"/> Yes	2	<input type="checkbox"/> No
If you answered <b>no</b> to line 151, complete lines 153, 156 and 157.				
<b>153</b> Name of Partners	<b>156</b> %	<b>157</b> BN or SIN		
1				
2				
3				
4				
5				



**Section C – Basic or applied research**

**250** Describe the scientific knowledge that you were trying to advance. (Maximum 350 words)

.....

.....

.....

.....

**252** Summarize the work performed in the tax year, and explain how that work contributed to the advancement of scientific knowledge. (Summarize the systematic investigation) (Maximum 700 words)

.....

.....

.....

.....

**Section D – Additional project information**

Who prepared the responses for Section B or Section C?

<b>253</b> 1 <input type="checkbox"/> Employee directly involved in the project	<b>254</b> Name
<b>255</b> 1 <input type="checkbox"/> Other employee of the company	<b>256</b> Name
<b>257</b> 1 <input type="checkbox"/> External consultant	<b>258</b> Name <b>259</b> Firm

List three key employees directly involved in the project and indicate their qualifications.

<b>260</b> Names	<b>261</b> Qualifications/experience and position title
1	
2	
3	

**265** Are you claiming any salary or wages for SR&ED performed outside Canada? ..... 1  Yes 2  No

**266** Are you claiming expenditures for SR&ED carried out on behalf of another party? ..... 1  Yes 2  No

**267** Are you claiming expenditures for SR&ED performed by people other than your employees? ..... 1  Yes 2  No

If you answered **yes** to line 267, complete lines 268 and 269.

<b>268</b> Names of individuals or companies	<b>269</b> Social Insurance Number or Business Number
1	
2	

What evidence do you have to support your claim? (Check any that apply)  
You do not need to submit the evidence with the claim. However, you are required to retain them in the event of a review.

<b>270</b> 1 <input type="checkbox"/> Project planning documents	<b>276</b> 1 <input type="checkbox"/> Progress reports, minutes of project meetings
<b>271</b> 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets	<b>277</b> 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions
<b>272</b> 1 <input type="checkbox"/> Design of experiments	<b>278</b> 1 <input type="checkbox"/> Photographs and videos
<b>273</b> 1 <input type="checkbox"/> Project records, laboratory notebooks	<b>279</b> 1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts
<b>274</b> 1 <input type="checkbox"/> Design, system architecture and source code	<b>280</b> 1 <input type="checkbox"/> Contracts
<b>275</b> 1 <input type="checkbox"/> Records of trial runs	<b>281</b> 1 <input type="checkbox"/> Others, specify <b>282</b> _____

**Section E – Project cost**

Project expenditures claimed in the year:

<b>285</b> Salary or wages .....	\$	
<b>286</b> Materials consumed and transformed .....	\$	
<b>287</b> SR&ED contracts .....	\$	
<b>289</b> Overhead and other expenditures (if you use the traditional method in Part 3) .....	\$	

**Part 6 – Additional information**

<b>Expenditures for SR&amp;ED performed by you</b> (line 400 minus lines 340, 345, and 370) .....		<b>605</b>	<input type="text"/>
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.			
		<b>Canadian (%)</b>	<b>Foreign (%)</b>
Internal .....	<b>600</b>	<input type="text"/>	
Parent companies, subsidiaries, and affiliated companies .....	<b>602</b>	<input type="text"/>	<b>604</b> <input type="text"/>
Federal grants (do not include funds or tax credits from SR&ED tax incentives) .....	<b>606</b>	<input type="text"/>	
Federal contracts .....	<b>608</b>	<input type="text"/>	
Provincial funding .....	<b>610</b>	<input type="text"/>	
SR&ED contract work performed for other companies on their behalf .....	<b>612</b>	<input type="text"/>	<b>614</b> <input type="text"/>
Other funding (e.g., universities, foreign governments) .....	<b>616</b>	<input type="text"/>	<b>618</b> <input type="text"/>
Enter the number of SR&ED personnel :			
Scientists and engineers .....			<b>632</b> <input type="text"/>
Technologists and technicians .....			<b>634</b> <input type="text"/>
Managers and administrators .....			<b>636</b> <input type="text"/>
Other technical supporting staff .....			<b>638</b> <input type="text"/>

**Part 7– Claim checklist**

Documents required for a complete claim. Make sure you have:

- used the current version of this form .....
- entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3 .....
- completed Part 2 for each project .....
- filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures .....
- filed a completed Form T1145, T1146, T1174\* and/or T1263 including any required attachments, if applicable .....

To expedite processing your claim, make sure you have:

- completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return* .....
- filed the appropriate provincial and/or territorial tax credit forms, if applicable .....
- retained documents to support the SR&ED expenditures you claimed .....
- checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31 .....

\* Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*

**Part 8 – Certification**

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

<b>165</b> _____	Signature	<b>170</b> _____
Name of authorized signing officer of the corporation, or individual		Date
<b>175</b> _____	Name of person/firm who completed this form	

# Appendix 1 – Field of science or technology codes

Please refer to line 206 in Part 2 of this Guide.

1. Natural and formal sciences			
Codes		Codes	
	<b>Mathematics</b>		<b>Biological sciences</b>
1.01.01	Pure mathematics	1.06.01	Cell biology, microbiology & virology
1.01.02	Applied mathematics	1.06.02	Biochemistry, molecular biology & Biochemical research
1.01.03	Statistics and probability		
1.01.04	Actuarial science	1.06.03	Mycology
	<b>Computer and information sciences</b>	1.06.04	Biophysics
1.02.01	Computer sciences	1.06.05	Genetics and heredity (medical genetics under code 3)
1.02.02	Information technology and bioinformatics	1.06.06	Reproductive biology (medical aspects under code 3)
1.02.03	Software (hardware development under 2.02.08)	1.06.07	Developmental biology
	<b>Physical sciences</b>	1.06.08	Plant sciences & botany
1.03.01	Atomic, molecular and chemical physics	1.06.09	Zoology, ornithology, entomology & Behavioural sciences biology
1.03.02	Interaction with radiation	1.06.10	Marine biology, freshwater biology & limnology
1.03.03	Magnetic resonances	1.06.11	Ecology & biodiversity conservation
1.03.04	Condensed matter physics	1.06.12	Biology (theoretical, thermal, cryobiology, biological rhythm)
1.03.05	Solid state physics & superconductivity	1.06.13	Evolutionary biology
1.03.06	Particles and fields physics		
1.03.07	Nuclear physics	1.07.01	<b>Other natural sciences</b>
1.03.08	Fluids and plasma physics (including surface physics)		
1.03.09	Optics (including laser optics and quantum optics)		
1.03.10	Acoustics		
1.03.11	Astronomy (including astrophysics, space science)		
	<b>Chemical sciences</b>		
1.04.01	Organic chemistry		
1.04.02	Inorganic and nuclear chemistry		
1.04.03	Physical chemistry, polymer science & plastics		
1.04.04	Electrochemistry (dry cells, batteries, fuel cells, metal corrosion, electrolysis)		
1.04.05	Colloid chemistry		
1.04.06	Analytical chemistry		
	<b>Earth and related Environmental sciences</b>		
1.05.01	Geosciences, multidisciplinary		
1.05.02	Mineralogy & paleontology		
1.05.03	Geochemistry & geophysics		
1.05.04	Physical geography		
1.05.05	Geology & volcanology		
1.05.06	Environmental sciences		
1.05.07	Meteorology, atmospheric sciences & climatic research		
1.05.08	Oceanography, hydrology & water resources		

## 2. Engineering and technology

Codes		Codes	
	<b>Civil engineering</b>		<b>Environmental engineering</b>
2.01.01	Civil engineering	2.07.01	Environmental and geological engineering
2.01.02	Architecture engineering	2.07.02	Petroleum engineering (fuel, oils)
2.01.03	Municipal and structural engineering	2.07.03	Energy and fuels
2.01.04	Transport engineering	2.07.04	Remote sensing
	<b>Electrical engineering, Electronic engineering &amp; Information engineering</b>	2.07.05	Mining and mineral processing
		2.07.06	Marine engineering, sea vessels & ocean engineering;
2.02.01	Electrical and electronic engineering		<b>Environmental biotechnology</b>
2.02.02	Robotics and automatic control	2.08.01	Environmental biotechnology
2.02.03	Micro-electronics	2.08.02	Bioremediation
2.02.04	Semiconductors	2.08.03	Diagnostic biotechnologies in environmental management (DNA chips & biosensing devices)
2.02.05	Automation and control systems		<b>Industrial biotechnology</b>
2.02.06	Communication engineering and systems	2.09.01	Industrial biotechnology
2.02.07	Telecommunications	2.09.02	Bioprocessing technologies
2.02.08	Computer hardware and architecture	2.09.03	Biocatalysis & fermentation
	<b>Mechanical engineering</b>	2.09.04	Bioproducts (products that are manufactured using biological material as feedstock)
2.03.01	Mechanical engineering	2.09.05	Biomaterials (bioplastics, biofuels, bioderived bulk and fine chemicals, bio-derived materials)
2.03.02	Applied mechanics		<b>Nano-technology</b>
2.03.03	Thermodynamics	2.10.01	Nano-materials (production and properties)
2.03.04	Aerospace engineering	2.10.02	Nano-processes (applications on nano-scale)
2.03.05	Nuclear related engineering (nuclear physics under 1.03.07)		<b>Other engineering and technologies</b>
2.03.06	Audio engineering, reliability analysis;	2.11.01	Food and beverages
	<b>Chemical engineering</b>	2.11.02	Oenology
2.04.01	Chemical engineering (plants, products)		
2.04.02	Chemical process engineering;		
	<b>Materials engineering</b>		
2.05.01	Materials engineering & metallurgy		
2.05.02	Ceramics		
2.05.03	Coating and films		
2.05.04	Composites (including laminates, reinforced plastics, cermets, combined natural and synthetic fibre fabrics)		
2.05.05	Paper and wood & textiles		
	<b>Medical engineering</b>		
2.06.01	Medical engineering		
2.06.02	Medical laboratory technology (Biomaterials under 2.09.05)		

### 3. Medical and Health sciences

Codes		Codes	
	<b>Basic medicine</b>		<b>Health sciences</b>
3.01.01	Anatomy & morphology (plant science under 1.06.08)	3.03.01	Health care sciences & nursing
3.01.02	Human genetics	3.03.02	Nutrition & dietetics
3.01.03	Immunology	3.03.03	Parasitology
3.01.04	Neurosciences	3.03.04	Infectious diseases & epidemiology
3.01.05	Pharmacology and pharmacy & medicinal chemistry	3.03.05	Occupational health
3.01.06	Toxicology		<b>Medical biotechnology</b>
3.01.07	Physiology & cytology	3.04.01	Health-related biotechnology
3.01.08	Pathology	3.04.02	Technologies involving the manipulation of cells, tissues, organs or the whole organism
	<b>Clinical medicine</b>	3.04.03	Technologies involving identifying the functioning of DNA, proteins and enzymes
3.02.01	Andrology	3.04.04	Pharmacogenomics, gene-based therapeutics
3.02.02	Obstetrics and gynaecology	3.04.05	Biomaterials (related to medical implants, devices, sensors)
3.02.03	Paediatrics		<b>Other medical sciences</b>
3.02.04	Cardiac and cardiovascular systems	3.05.01	Forensic science
3.02.05	Hematology	3.05.02	Other medical sciences
3.02.06	Anaesthesiology		
3.02.07	Orthopaedics		
3.02.08	Radiology & nuclear medicine		
3.02.09	Dentistry, oral surgery and medicine		
3.02.10	Dermatology, venereal diseases & allergy		
3.02.11	Rheumatology		
3.02.12	Endocrinology and metabolism & gastroenterology		
3.02.13	Urology and nephrology		

### 4. Agricultural sciences

Codes		Codes	
	<b>Agriculture, Forestry, and Fisheries</b>		<b>Veterinary science</b>
4.01.01	Agriculture	4.03.01	Veterinary science (all)
4.01.02	Forestry		<b>Agricultural biotechnology</b>
4.01.03	Fishery	4.04.01	Agricultural biotechnology & food biotechnology
4.01.04	Soil science	4.04.02	Genetically Modified (GM) organism technology & livestock cloning
4.01.05	Horticulture	4.04.03	Diagnostics (DNA chips and biosensing devices)
4.01.06	Viticulture	4.04.04	Biomass feedstock production technologies
4.01.07	Agronomy	4.04.05	Biopharming
4.01.08	Plant breeding & plant protection (Agricultural biotechnology under 4.04.01)	4.05.01	<b>Other agricultural sciences</b>
	<b>Animal and Dairy science</b>		
4.02.01	Animal and dairy science		
4.02.02	(Animal biotechnology under 4.04.01) Animal husbandry		

#### The following fields of science are specifically excluded by law for the purposes of SR&ED:

##### Sciences sociales

- |   |                            |                         |
|---|----------------------------|-------------------------|
| ■ Psychology (Psychological research may be eligible as a support activity) | ■ Economics and Business   | ■ Educational sciences  |
| ■ Sociology   | ■ Law                      | ■ Political science     |
| ■ Social and economic geography   | ■ Media and communications | ■ Other social sciences |

##### Humanities:

- |                           |                            |                                   |
|---------------------------|----------------------------|-----------------------------------|
| ■ History and Archaeology | ■ Languages and Literature | ■ Philosophy, Ethics and Religion |
| ■ Arts                    | ■ Other Humanities         |                                   |

## Appendix 2 – Documentation and other evidence to support your SR&ED claim

It is important to maintain supporting evidence (e.g. information, records, documentation) to substantiate that the scientific research or experimental development (SR&ED) work was performed and allowable expenditures have been incurred. If your SR&ED claim is selected for review, you will be asked during the review to support your claim by providing evidence that was generated as the SR&ED was being carried out. Work for which you have no relevant supporting evidence will likely be disallowed.

The following sections are provided to help you identify the type of documentation and other items the CRA reviewers generally consider as supporting evidence.

### Supporting the SR&ED Work Claimed

Most often, supporting evidence is in the form of *contemporaneous documents* (i.e. documents generated as the SR&ED was being carried out). In fact, *contemporaneous documentation* that is dated, signed and specific to the work performed is the best supporting evidence that you can provide. If you choose to substantiate the work performed using other evidence, you must ensure that the evidence clearly addresses the questions on Part 2 of Form T661.

Table 1 in this Appendix provides a list of examples of documentation and other items that you could use as supporting evidence. Note that the table is only meant to be a tool to help you identify the type of supporting evidence you have to support your claim and to organize your documentation should your claim be selected for review. It is important to note that:

1. The table is **not** a checklist to determine eligibility of work as SR&ED. That is, the existence of supporting evidence as listed in the table does not by itself indicate the work is SR&ED. It is the content of that supporting evidence that will determine if the evidence is relevant.
2. The table is not an exhaustive list; other forms of supporting evidence may be relevant.
3. It is **not** expected that all of the supporting evidence listed in the table would be generated for every SR&ED project. However, some form of relevant supporting evidence must be available to address the questions on Part 2 of Form T661.

### Supporting the SR&ED Expenditures Claimed

You are required to keep complete and organized records that support the expenditures claimed. Requirements for records needed to support financial transactions are set out in the publication RC4409, *Keeping Records*. Typical financial records and documents that may be requested during the financial review include the financial statements and records, ledgers, journals and vouchers. Source documents such as receipts, contracts and general correspondence may also be requested.

In addition to the above general financial records, SR&ED claimants must keep any related documentation and information to support the specific expenditures claimed on Form T661. This includes but is not limited to:

- Cost breakdown per project for each line item in Part 3 Section B of Form T661;
- Cost allocation method used to allocate labour and overhead expenditures to SR&ED;
- Time sheets that support the *salary or wages* claimed by employees on SR&ED activities;
- Contracts and/or agreements related to the SR&ED claim;
- Logbooks or other documentation that support the SR&ED use of equipment for the period;
- Documentation to support third-party payments such as to whom and for what the payments were made;
- Supporting schedules such as reconciliation of amounts on Form T661 to the financial statements;
- Supporting schedules to reconcile capital expenditures on Schedule T2SCH8, *Capital Cost Allowance*, and Form T661 to the financial statements;
- Schedules to support the amount of the ITC recaptured; and
- Provincial income tax returns, if applicable.

### Other Considerations

Maintaining appropriate supporting evidence will facilitate the review of your claim and help you to substantiate your claim. This is especially important in work environments where both SR&ED and commercial work are taking place. For example, using the project records you have, you should be able to explain and/or demonstrate:

- Who did the work claimed and how much time employees spent on SR&ED work;
- Why the work claimed was necessary in order to achieve the *technological advance* sought;
- How *materials* were used, the quantities consumed or transformed in SR&ED work, and how *materials* and products were ultimately disposed of;
- In the case of contracts and/or agreements relating to claimed work, what services or products were provided, who performed the work, where the work took place, as well as who acquired rights to any intellectual property resulting from that work; and
- How the project costs that are attributable to SR&ED work are segregated from those that are for non-SR&ED work where the SR&ED is carried out in a commercial environment.

## Appendix 3 – Excerpt from CRA guide to T661 form

### Section B – Experimental development

#### Line 240 – What technological advancements were you trying to achieve?

(Maximum 350 words)

In responding to this question, we suggest that you:

- 1) indicate the technological objective of the project and describe the new or improved capability that you were trying to achieve in this project;
- 2) indicate in what manner the work you did to develop this new or improved capability advanced the existing state of knowledge in the field of technology you identified in line 206; and
- 3) explain why the new capability represents a technological advancement in terms of the underlying technology, and what knowledge you gained as a result of the work you did, regardless of success or failure. In other words, how have you advanced the current state of the art or the technology base or level that existed at the onset of this project?

Your response should focus on describing the improvements you made to the existing technology that lead to the creation of new or improved materials, devices, products, or processes. It is the advancement in the underlying technology that is important, not how the work advanced your business practices.

#### Tip

Achieving the novelty, innovation, uniqueness, feature enhancement, or increased functionality of the product or process may not in itself demonstrate **technological advancement**. It is important to describe what advances you made to your existing technology that enabled you to achieve it.

**Reference:** Information Circular IC 86-4R3

#### Line 242 – What technological obstacles did you have to overcome to achieve those advancements?

(Maximum 350 words)

Describe the shortcomings and/or limitations of the current state of technology that prevented you from developing the new or improved capability. In this context, describe the technological problems and unknown elements that had to be removed while you attempted to achieve the **technological advancement(s)** identified in line 240. In other words, what **technological obstacles** did you have to overcome in order to advance the **technology base or level** that existed at the beginning of the **experimental development** project?

Your response should clearly describe the technological problems that could not be removed through the application of the **technology base or level** that existed at the start of the **experimental development** project.

**Reference:** Information Circular IC86-4R3

#### Line 244 – What work did you perform in the tax year to overcome those technological obstacles?

(Maximum 700 words)

In responding to this question, we suggest that you:

- 1) describe only the work that was actually carried out during the tax year and for which you are claiming expenditures in the tax year;
- 2) describe, in a clear and concise manner, how you attempted to overcome the technological obstacles that you identified in line 242;
- 3) describe, in chronological order, the work done to remove problems in the underlying technology; and

- 4) clearly demonstrate the systematic nature of the investigation or search and describes the experiments and/or analysis conducted to overcome those obstacles, including the results obtained, their interpretation, and the conclusions made.

If this is a continuation of a previously claimed project, clearly and concisely describe the work carried out during the year of the claim and explain how it relates to the technological advancement and technological obstacles identified in lines 240 and 242 above.

If all or part of the work was performed on your behalf by contractors, include that work in your description and identify that the work was performed by contractors.

Reference: Information Circular IC86-4R3

## **Section C – Basic or applied research**

**Line 250 – Describe the scientific knowledge that you were trying to advance.**

*(Maximum 350 words)*

In responding to this question, we suggest that you:

- 1) describe the scientific knowledge that you gained or were attempting to gain with the work you did;

- 2) explain why the new knowledge gained as a result of your work is an advance relative to the scientific knowledge that was available at the onset of the project, regardless of success or failure; and
- 3) indicate how the results of your experiments or analysis advanced the understanding of scientific principles, methodologies, or relationships.

**Reference:** Information Circular IC86-4R3

**Line 252 – Summarize the work performed in the tax year and explain how that work contributed to the advancement of scientific knowledge.**

*(Maximum 700 words)*

In responding to this question, we suggest that you:

- 1) describe only the work that was actually carried out during the tax year and for which you are claiming expenditures in the tax year;
- 2) describe the principles underlying the new concepts that will address the inadequacies of the existing scientific knowledge; and
- 3) summarize the experiments and/or analysis conducted, including the results obtained, their interpretation, and the conclusions made. Make sure your conclusions relate to the scientific knowledge that you were attempting to gain as stated in line 250 above.

**Reference:** Information Circular IC86-4R3.