

Tax Assistance for Scientific Research and Experimental Development



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Table of contents

Introduction	5
What is scientific research and experimental development?	7
Deduction of R&D expenditures	9
Current expenditures	10
Capital expenditures	11
Expenses of a general nature	11
Refundable R&D tax credits	12
Credit for salaries and wages	12
Credits for R&D expenditures	14
Tax holiday for foreign researchers, experts and professors, and for foreign researchers on a postdoctoral internship	17
Foreign researchers	18
Foreign experts	19
Foreign professors	20
Foreign researchers on a postdoctoral internship (postdoctoral interns) . . .	20
Forms and filing deadlines	21
Administrative aspects	22
Scientific review of R&D projects	22
How to file an application for R&D tax credits	22
Confidentiality	22



Introduction

Beginning in the early 1980s, the Québec government, recognizing the importance of scientific research and experimental development (R&D) as an economic lever, introduced various measures to stimulate R&D activities in Québec. Refundable R&D tax credits granted by the government are the main thrust of these measures. If you have undertaken, or are you about to undertake, an R&D project, you may be entitled to these tax credits.

For example, a tax credit of up to 40% of the first \$2 million paid in salaries and wages in Québec can be claimed for R&D conducted by small or medium-sized businesses (SMBs); the rate is 20% in the case of large businesses.

Other, equally advantageous credits are also available: the tax credit for university research or research carried out by a public research centre or a research consortium; the tax credit for pre-competitive research; and the tax credit for fees or dues paid to a research consortium. These credits correspond to 40% of R&D expenditures. An additional tax credit for scientific research and experimental development can be claimed by certain corporations for a taxation year beginning before July 1, 2004.

In addition, a tax holiday is available to foreign researchers, experts and professors, and to foreign researchers on a postdoctoral internship.

The Québec government has also brought in refundable tax credits to support innovation other than R&D in certain sectors of activity, such as those related to the knowledge-based economy. Examples include the refundable tax credit for E-commerce solutions, the refundable tax credit for multimedia titles and the refundable tax credit for technological adaptation services. Other measures have been implemented with respect to information technology development centres (ITDCs) and marketplaces for the new economy (MNEs). For more information, consult the Investissement-Québec Web site, at www.invest-quebec.com, or contact the office of the Ministère du Revenu in your area.

This brochure covers the main points of the R&D tax measures in Québec. Among other things, it tells you how to claim deductions and obtain refundable tax credits for R&D expenditures. It specifies the information to be provided to the Ministère in support of your application for a deduction or tax credit, as well as the forms to be filed.

The brochure is intended for taxpayers (individuals, corporations or partnerships) that carry on a business in Canada and that conduct R&D themselves or on behalf of another person, or that have R&D conducted on their behalf. Such taxpayers can deduct their R&D expenditures in the calculation of their business income and, where applicable, claim refundable R&D tax credits for research conducted in Québec.

For more information, consult the relevant statutes and regulations, or contact the office of the Ministère du Revenu in your area (see the contact information at the end of the brochure).



What is scientific research and experimental development?

Under the *Taxation Act*, “scientific research and experimental development” means systematic investigation or search that is carried out in a field of science or technology by means of

- basic¹ or applied² research undertaken for the advancement of scientific knowledge;
- experimental development undertaken to achieve technological advancement for the purpose of creating new materials, products, devices or processes, or of improving existing ones, even incrementally;
- work undertaken directly in support of R&D, where it is commensurate with the needs of such research or development and corresponds to one of the following sectors:
 - engineering or design,
 - operations research,
 - mathematical analysis or computer programming,
 - data collection,
 - testing, or
 - psychological research.

Work relating to the sectors below does **not** constitute R&D activities:

- market research or sales promotion;
- quality control or routine testing of materials, products, devices or processes;
- research in the social sciences or the humanities;
- prospecting, exploring or drilling for, or producing, minerals, petroleum or natural gas;
- the commercial production of a new or improved material, device or product, or the commercial use of a new or improved process;
- style changes; or
- routine data collection.

1. Basic research is undertaken for the advancement of science **without** any practical application in mind.
2. Applied research is undertaken for the advancement of science **with** a practical application in mind.

Criteria to be met

Three criteria must be met for a project to qualify as R&D:

- 1- **Scientific or technological advancement.** The objective of the R&D project must be to acquire knowledge that advances the understanding of the underlying scientific relations or technology.
- 2- **Scientific or technological uncertainty.** Whether or not a given objective or result can be achieved, or how to achieve it, must not already be known or have already been determined on the basis of generally available scientific or technological knowledge or experience.
- 3- **Scientific or technical content,** in keeping with the rigour of the scientific process. The work must incorporate a systematic investigation beginning with the formulation of a hypothesis, followed by testing through experiment or analysis and the drawing of logical conclusions. Fulfilling this criteria also means properly documenting the various stages of the project.





Deduction of R&D expenditures

The *Taxation Act* provides for the possibility of deducting expenditures incurred for R&D, subject to special rules.

Current and capital expenditures are **deductible from income** for a given taxation year. **However, not all of them give entitlement to refundable tax credits** (see the next chapter). The total expenditures must be reduced by the amount of any form of government assistance (e.g., grant, forgivable loan) or non-government assistance (e.g., expense paid by a Canadian resident) received or receivable, as well as by the federal R&D investment tax credit granted for the year preceding the taxation year in question. Expenses of a general nature are not deductible.

Two methods can be used to determine the amount of deductible R&D expenditures: the proxy method and the regular method.

The **proxy method** is simpler but more restrictive, as it takes into account only those expenditures that are, for the most part, readily associated with R&D activities. Consequently, certain overhead expenses that are directly related to R&D activities and that would not otherwise be incurred are excluded, such as the cost of office supplies and the salaries and wages of certain employees not assigned to tasks relating to the technological aspects of R&D.

The **regular method** allows for a wider range of expenditures. The additional current expenditures that can be taken into account are primarily overhead expenses. However, taxpayers that use this method

must factor in only the portion of the expenses that represents additional costs resulting from R&D activities. Such costs are sometimes hard to quantify, especially when the same facilities are used for both R&D and production. In such circumstances, a reasonable method for breaking down the costs must be used.

For more information, see form RDW-222-V, *Deduction respecting Scientific Research and Experimental Development Expenditures*.

Note

Expenditures that are not deducted by a taxpayer in a given taxation year can be placed in an account and used by the taxpayer in a subsequent year or years, as determined by the taxpayer.



Current expenditures

As a rule, R&D current expenditures are as follows:

- salaries, wages and other remuneration paid to staff whose activities are directly related to R&D,¹ such as researchers, technologists and assistants with technical training, as well as R&D support staff.

Persons who prepare the equipment and materials necessary for experiments, tests and analyses are considered to engage in R&D activities, as are those who record measurements, make calculations, prepare charts, graphs and computer programs, conduct statistical surveys and interviews, etc.

If an employee devotes less than 90% of his or her time to R&D activities, the R&D expenditure corresponds to the portion of the salary or wages paid to the employee for the time spent on R&D activities. However, if 90% or more of the employee's time is devoted to research, the full amount of the salary or wages is deductible. The same is true for supervisors and managers;

- expenditures relating to the provision of premises (excluding rent paid for a building), facilities, or equipment for R&D purposes;
- the cost of materials used in R&D activities;
- expenditures made under R&D contracts awarded to contractors and subcontractors;
- payments made to such entities as a university, college, research institute or tax-exempt organization resident in Canada, where the taxpayer has the right to use the research results.

Overhead expenses directly related to R&D activities can also be considered current expenditures, provided it is shown that they would not have been incurred without the R&D activities, and provided the regular method is chosen. Overhead expenses include the following:

- fringe benefits of employees directly assigned to R&D, such as the employer's share of Canada Pension Plan or Québec Pension Plan contributions and employment insurance premiums, the employer's contribution to the Commission de la santé et de la sécurité du travail, and the employer's participation in a registered pension plan;
- salaries, wages and fringe benefits of employees who do office work and other administrative tasks to support the work of staff directly engaged in R&D activities. These employees include clerks, secretaries and receptionists, as well as the personnel in charge of accounting, payroll, finance, legal services, purchasing, sales, human resources, shipping, inventory control, maintenance and word processing;
- office supplies
- maintenance of R&D equipment, facilities and premises;
- heat, electricity and telephone;
- travel and training;
- property taxes.

1. Special rules apply to the salary or wages of specified employees, that is, employees of a taxpayer who are specified shareholders of the taxpayer or do not deal at arm's length with the taxpayer.

Current expenditures must be substantiated by supporting documents or relevant information showing that they were incurred for R&D. You must break down the amounts, explaining how you established which of them were R&D expenditures, and justify your calculations. The amounts not related to R&D constitute regular expenses. Consequently, they can be deducted from income only for the year in which they are incurred.

Capital expenditures

As a rule, capital expenditures relating to the acquisition of a building¹ are not deductible. However, you may deduct expenses incurred to acquire depreciable property other than a building (e.g., expenses incurred for equipment).

For these expenses to be deductible, the depreciable property must be used all or substantially all (at least 90%) of the time for R&D purposes. If you deduct the cost of such property, you cannot claim capital cost allowance respecting the property in the year concerned or in a subsequent year.

Expenses of a general nature

The following expenses **do not qualify as R&D expenditures**:

- expenses incurred for the general administration or management of the business;
- costs for the maintenance and upkeep of premises or equipment, where they are not related to R&D activities;
- bonuses or remuneration based on profits (in the case of specified employees²);
- expenses incurred to purchase or rent animals, other than laboratory animals within the meaning of the regulations.

Example

Calculating R&D expenditures		
Qualified expenditures	Regular method	Proxy method
Direct salaries and wages	\$100,000	\$100,000
Materials	\$15,000	\$15,000
Subcontractors	\$40,000	\$40,000
Overhead:		
Office supplies	\$15,000	_____
Support-staff salaries	\$12,000	_____
Equipment	\$40,000	\$40,000
Total expenditures	\$222,000	\$195,000
Investment tax credit (previous year)	(\$25,000)	(\$25,000)
Total deductible expenditures	\$197,000	\$170,000

1. Including a leasehold interest in the building.

2. Generally, shareholders that hold over 10% of the shares of a given corporation (specified shareholders).



Refundable R&D tax credits

All of the tax credits discussed in this chapter are refundable. If you do not have income tax payable, the amount of the credits will be paid to you. Conversely, if you have tax payable, the amount of the credits will be subtracted from the balance of income tax, tax on capital or compensation tax owing, and may also be used to determine the amount of your instalments of income tax and tax on capital.

Credit for salaries and wages

Of the various refundable R&D tax credits available, the one most frequently claimed is the credit for salaries and wages.

General information

Taxpayers that conduct research in Québec themselves, or that have research conducted in Québec on their behalf, may claim a refundable tax credit for the salaries and wages they pay in Québec. Canadian corporations that do not have an establishment in Québec may claim this credit, provided the research is entrusted to a corporation located in Québec.

“Salary or wages” means the remuneration paid to an employee for work done by the employee in Québec, as well as all of the benefits to be included in the employee’s income.

The salaries and wages that give entitlement to the tax credit are as follows:

- the full amount of salaries and wages paid to employees who devote at least 90% of their time to R&D activities or support;
- a portion of the salaries and wages paid to employees who devote less than 90% of their time to R&D activities, calculated according to the time spent by each employee on such activities;
- in the case of taxpayers that enter into a contract with a person or partnership **not dealing at arm’s length with them** (subcontractor), the portion of the amount they pay to the subcontractor that may reasonably be attributed to the salaries and wages paid to the employees of an establishment of the subcontractor in Québec or, if the subcontractor has no employees, the amount that would have been so paid if the subcontractor had had employees;
- in the case of taxpayers that enter into a contract with a person or partnership **dealing at arm’s length with them** (subcontractor), half of the portion of the amount they pay to the subcontractor that may reasonably be attributed to work carried out by the employees of an establishment of the subcontractor in Québec or, if the subcontractor has no employees, the amount that would have been so attributed if the subcontractor had had employees.



Subcontractors include not only persons that engage directly in R&D on behalf of a taxpayer, but also persons that do work to support the research.

The following amounts **do not give entitlement** to the tax credit for salaries and wages:

- amounts paid under a university research contract or an eligible research contract (e.g., a contract entered into with a research consortium);
- amounts paid in conjunction with a pre-competitive research project;
- fees or dues paid to a research consortium.

The above amounts may, however, give entitlement to other tax credits (see page 14).

As a rule, only one of the refundable tax credits can be claimed for a given expenditure (e.g. salary or wages).

Amounts giving entitlement to a tax credit must be reduced by any government assistance (e.g., grant, forgivable loan) or non-government assistance (e.g., expense paid by a Canadian resident) received or receivable, as well as by contract payments and certain contributions. The federal investment tax credit, however, does not reduce the amounts.

Calculating the credit

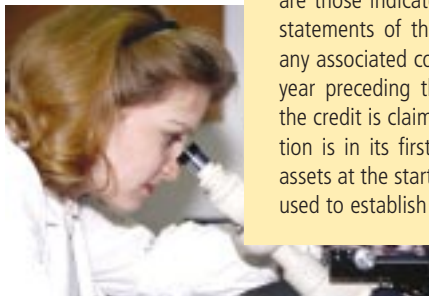
Taxpayers, other than corporations, that conduct R&D in Québec may claim a tax credit of 20% of the eligible salaries and wages paid in a given taxation year.

Taxpayers that are corporations may claim the credit at one of the following rates, on the first \$2 million in eligible salaries and wages paid in a given taxation year:

- 40%, in the case of SMBs;¹
- between 40% and 20%, in the case of corporations with assets of \$25 million or more (but under \$50 million). The rate is progressively reduced as assets increase;
- 20%, in the case of corporations with assets of \$50 million or more.

The credit rate is also 20% on the amount of eligible salaries and wages paid in excess of \$2 million for a given taxation year.

Taxpayers may also take advantage of the additional tax credit for scientific research and experimental development (see page 16).



Note

The assets used to establish the rate are those indicated in the financial statements of the corporation and any associated corporations, for the year preceding the year for which the credit is claimed. If the corporation is in its first fiscal period, the assets at the start of that period are used to establish the rate.

1. To be considered an SMB for the purpose of R&D credits, the business's assets, including those of associated corporations, must be less than \$25 million. In addition, the business must not be controlled by one or more persons not resident in Canada.

Credits for R&D expenditures

Refundable tax credits for expenditures are granted to taxpayers that have R&D conducted on their behalf in Québec. In general, the credits are granted for qualified R&D expenditures that

- are incurred under a university research contract or a contract for research by a public research centre or a research consortium;
- are incurred to implement a pre-competitive research project;
- represent fees and dues paid to a research consortium.

However, the expenditures must be reduced by any government and non-government assistance, as well as by contract payments and certain contributions. The federal investment tax credit, on the other hand, does not reduce the expenditures.

Tax credit for university research or research carried out by a public research centre or a research consortium

Taxpayers that enter into a university research contract with an eligible university entity, public research centre or research consortium may claim a refundable tax credit of 40% of qualified R&D expenditures.¹ Taxpayers that conclude an agreement with a prescribed linkage agency mandated by them to conclude such a research contract may also claim the credit.

Taxpayers may also be entitled to the additional tax credit for scientific research and experimental development (see page 16).

An “eligible university entity” is a Québec university, a university hospital medical research centre or any other prescribed organization.

An “eligible public research centre” is an entity that groups government research centres and college centres for technology transfer.

An “eligible research consortium” is an organization located in Québec that groups corporations in a given sector of activity and conducts R&D on their behalf. The corporations are considered to be members of the consortium and must pay a membership fee. To be recognized as a consortium, the organization must obtain a validation certificate from the Ministère de la Recherche, de la Science et de la Technologie (MRST). For more information on obtaining a validation certificate, contact the MRST:

Direction générale du développement
de la recherche et de l'innovation
2021, avenue Union, 10^e étage
Montréal (Québec) H3A 2S9
Telephone: (514) 873-8330
Fax: (514) 864-8617
Internet: www.mrst.gouv.qc.ca

1. If the research is conducted by an eligible university entity, public research centre or research consortium dealing at arm's length with the taxpayer, the credit is calculated on 80% of eligible expenditures (20% of the value of the contract being attributed to profits).

Requirement

To be entitled to the tax credit, you must first obtain a favourable advance ruling from the Ministère du Revenu. Your application for an advance ruling must be sent to the Ministère **no later than 90 days** after the day on which the contract is entered into. An advance ruling must be obtained for each contract entered into, before any amounts provided for in the contract are paid. If an advance ruling is not obtained, no amount paid under the contract will give entitlement to the credit. The following information must be submitted for review:

- the signed research contract or the draft of the contract to be signed;
- the expenditure budget for the project;
- the description of the project;
- the identity of the partners in the project;
- the names of the corporation's shareholders (if it is not a public corporation);
- the payment schedule regarding the entity;
- the work schedule for the project;
- the description of the activities.

The application for an advance ruling must be submitted by the taxpayer that is a party to the contract or by an authorized representative of the taxpayer. The authorized representative can be the university entity, the public research centre or the research consortium concerned. The application must be submitted to the Ministère du Revenu, at the following address:

Direction générale de la législation et des enquêtes
3800, rue de Marly
Sainte-Foy (Québec) G1X 4A5

Example

Calculating the credit

The taxpayer and the eligible entity are dealing at arm's length. The taxpayer did not receive any assistance, benefits or contract payments under the contract in question.

Determining the credit

R&D expenditures	\$10,000
Expenditures giving entitlement to the credit	80 %
Applicable rate	40 %
Credit amount	\$3,200

Tax credit for pre-competitive research

Corporations dealing at arm's length that conclude a cooperative agreement to carry out work themselves, or to have work carried out on their behalf, under a pre-competitive research project may claim a refundable tax credit of 40% of the qualified R&D expenditures¹ incurred in Québec. The tax credit is granted to each eligible corporation that is a member of the group, on the basis of the expenditures the corporation incurred in Québec in a given taxation year for pre-competitive research activities.

Before claiming the tax credit, the group or the corporation mandated by the group must file an application for a validation certificate with the MRST. If the application is accepted, the MRST will grant each corporation that is a party to the agreement a validation certificate for its research activities. For more information on obtaining a validation certificate, contact the MRST (see the contact information on page 14).

These corporations may also be entitled to the additional tax credit for scientific research and experimental development (see below).

Tax credit for fees or dues paid to a research consortium

Each corporation that is a member of a research consortium recognized by the MRST may claim a refundable tax credit of 40% of its eligible fee¹, in addition to a credit for the R&D expenditures it incurs for R&D conducted by the consortium in Québec on its behalf.

As a rule, a taxpayer's eligible fee is the total fees or dues paid by the taxpayer to the research consortium to conduct R&D in Québec related to the taxpayer's activities.

These corporations may also be entitled to the additional tax credit for scientific research and experimental development (see below).

Additional tax credit for scientific research and experimental development

Corporations that claim a refundable R&D tax credit for a taxation year beginning before July 1, 2004, may **temporarily** claim an additional credit of 15% that is also refundable. This tax credit is granted solely to Canadian-controlled SMBs whose assets for the taxation year preceding the taxation year in question are less than \$25 million.

The credit is calculated on the basis of the amount by which the increase in the total expenditures giving entitlement to an R&D credit for the current taxation year exceeds the average of the total R&D expenditures incurred in the three years immediately preceding the year in question. These expenditures are the amounts used to calculate refundable R&D tax credits (see page 12).

1. If the research is conducted by an eligible university entity, public research centre or research consortium dealing at arm's length with the taxpayer, the credit is calculated on 80% of eligible expenditures (20% of the value of the contract being attributed to profits).



Tax holiday for foreign researchers, experts and professors, and for foreign researchers on a postdoctoral internship

General information

Individuals who are not resident in Canada and who come to Québec to work as foreign researchers on an R&D project may claim a tax holiday¹ respecting the Québec income tax payable on the wages paid to them under the project for a given year.

This measure was introduced in 1987 and became permanent in 1996. It is designed to help eligible employers wishing to engage in research activities that require the recruitment of specialized personnel outside Canada.

A similar holiday² was introduced by the government for the following individuals:

- **foreign experts** employed by a corporation that markets the results of R&D conducted in Québec;
- **foreign professors** employed by a Québec university;
- **foreign researchers on a postdoctoral internship** employed by an eligible university entity or public research centre.

Under the tax holiday, the individuals may deduct, from their taxable income, an amount equal to the eligible wages paid to them in a given taxation year.

“Eligible wages” means the income used to calculate the refundable tax credit for R&D salaries and wages (see page 12).

For the tax holiday to be granted, the specialized employee and the employer must meet the conditions set forth in the following sections.

Note

Income received by these individuals from any other source must be included in the calculation of their income, for the period during which they reside in Québec, as is the case for any other Québec resident.



1. In 2001–2002, it was a five-year holiday.

2. In 2001–2002, the maximum holiday was five years.

Foreign researchers

To be entitled to the tax holiday, foreign researchers must meet the conditions listed below:

- They must not be resident in Canada immediately before the date on which they enter into an employment contract or take up employment duties with an employer engaging in R&D in Québec.
- They must hold a Master's degree (or the equivalent) recognized by a Québec university.
- Their employment duties in Québec must consist exclusively or almost exclusively, and without interruption, of R&D carried out for their employer (see the summary of R&D activities on page 7). They must be specialized in a field of pure or applied science, or in a related field such as food, agriculture, forestry or biomedicine.

For their part, employers must

- be corporations that carry on a business in Canada, that are not exempt from tax and that engage in R&D in Québec;
- apply for a certificate of competency from the Ministère de la Recherche, de la Science et de la Technologie (MRST) before the later of the following dates: March 1 of the year following the year in which the employment contract is entered into, or March 1 of the year in which the researcher takes up his or her employment duties.¹ The certificate must certify that the researcher has the knowledge required for the R&D concerned.²

In the case of foreign researchers, the tax holiday is for **60 consecutive months**, provided they take up their employment duties after March 9, 1999, under an employment contract entered into after that date. Foreign researchers who entered into a contract or took up their employment duties prior to that date may also take advantage of this measure if the tax holiday of 24 consecutive months was in effect at any time during 1999. In such cases, the tax holiday applies to their research activities for another three years.

For more information or to obtain a certificate, contact the MRST (see the contact information on page 14).

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1. If an application for a certificate is filed after the deadline, the certificate may nonetheless be issued if the other conditions are met. However, it will be valid only for the taxation year in which the application was filed.
 2. The Ministère du Revenu reserves the right to grant, in whole or in part, a tax holiday respecting wages paid to holders of a certificate issued by the MRST or the Ministère de l'Éducation (in the latter case, post-doctoral interns). The Ministère du Revenu may ask a researcher to show that he or she was not resident in Canada immediately prior to entering into an employment contract or taking up his or her employment duties with the employer.

Foreign experts

To help corporations hire experts in research exploitation—for example, the marketing and transfer of advanced technologies—a tax holiday was introduced for foreign experts employed by a corporation. However, the corporation must be an eligible employer engaged in exploiting the results of R&D conducted in Québec.

“Foreign expert” means an individual who, after March 9, 1999, takes up employment for the first time as an employee of an eligible employer, under a contract entered into after that date.

The employer must first obtain a certificate of competency from the MRST, certifying that the individual is an expert in the management or financing of innovative activities, in foreign marketing or in the transfer of advanced technologies. The employer must apply for the certificate before the later of the following dates: March 1 of the year following the year in which the employment contract is entered into, or March 1 of the year in which the researcher takes up his or her employment duties (see notes 1 and 2 on the previous page).

Contrary to foreign researchers, foreign experts who carry on activities (directly or indirectly) with an eligible university entity or public research centre are not entitled to the tax holiday.

For more information, or to obtain a certificate, contact the MRST (see the contact information on page 14).



Foreign professors

To be entitled to the tax holiday, foreign professors must meet the conditions listed below:

- They must not be resident in Canada immediately before the date on which they enter into an employment contract or take up employment duties.
- They must work exclusively or almost exclusively, and without interruption, for a Québec university.
- Their employment duties must consist exclusively or almost exclusively in carrying on, as employees, activities in the field of science, engineering, health or new information and communications technologies.
- They must hold a doctoral degree.

The employer must obtain a certificate from the Ministère de l'Éducation du Québec (MEQ), certifying that the individual is specialized in one of the aforementioned fields.

For more information, or to obtain a certificate, contact the MEQ:

Édifice Marie-Guyart, 20^e étage
1035, rue De La Chevrotière
Québec (Québec) G1R 5A5
Telephone: (418) 643-3863

Foreign researchers on a postdoctoral internship (postdoctoral interns)

To be entitled to the tax holiday, foreign researchers on a postdoctoral internship must meet the conditions listed below:

- They must not be resident in Canada immediately before the date on which they enter into an employment contract or take up employment duties with an employer engaging in R&D in Québec.
- They must hold a doctoral degree (or the equivalent) recognized by a Québec university.
- Their employment duties must consist exclusively or almost exclusively of R&D. They must be specialized in a field of pure or applied science, or in a related field such as food, agriculture, forestry or biomedicine.
- They must work exclusively or almost exclusively, and without interruption, for their employer.

The employer must:

- be eligible an university entity or a public research centre;
- obtain a certificate of competency from the Ministère de l'Éducation (MEQ), certifying that the postdoctoral intern has the qualifications required to carry out the research concerned. The certificate must be obtained before the later of the following dates: March 1 of the year following the year in which the employment contract is entered into, or March 1 of the year in which the intern takes up his or her employment duties (see the notes 1 and 2 on page 18).

For more information, or to obtain a certificate, contact the MEQ (see the contact information above).



Forms and filing deadlines

Forms

To deduct qualified R&D expenditures or claim refundable R&D tax credits, you must complete the forms below, as applicable:

RDW-222-V

Deduction respecting Scientific Research and Experimental Development Expenditures

RDW-1029.7-V

Tax Credit for Salaries and Wages (R&D)

RDW-1029.7.8-V

Agreement between Associated Corporations regarding the Expenditure Limit

RDW-1029.8.6-V

Tax Credit for University Research or Research Carried Out by a Public Research Centre or a Research Consortium

RDW-1029.8.9.03-V

Tax Credit for Fees or Dues Paid to a Research Consortium

RDW-1029-8.10-V

Tax Credit for Pre-Competitive Research

RDW-1029-8.16.6-V

Additional Tax Credit for Scientific Research and Experimental Development

You can obtain these forms from the office of the Ministère du Revenu in your area, or on the Internet at the following address: www.revenu.gouv.qc.ca.

The required forms must be enclosed with your personal income tax return (form TP-1-V) or your corporation return (form CO-17-V), as the case may be.

Filing deadlines

As a rule, the corporation return, along with the related schedules and forms, must be sent to the Ministère du Revenu within six months after the end of the corporation's taxation year. The forms required to claim R&D tax credits, on the other hand, must be filed within 18 months, that is, 12 months after the filing deadline for the return.

Individuals also have an additional 12 months after the statutory filing deadline to send in the forms required to claim R&D credits.





Administrative aspects

Scientific review of R&D projects

Under an agreement reached between the Ministère du Revenu du Québec (MRQ) and the Canada Customs and Revenue Agency (CCRA) in 1994, the CCRA is responsible for carrying out scientific reviews of R&D projects. Like the Québec government, the federal government provides R&D tax credits, and the scientific eligibility criteria of their respective programs are the same. In fact, the criteria are recognized worldwide, by the Organisation for Economic Co-operation and Development (OECD).

Consequently, once scientific projects are submitted to the CCRA, research and technology advisors assess the R&D work to determine whether it meets the eligibility criteria of CCRA and MRQ programs. Confirmation of the eligibility of the projects is then sent to the MRQ, and payment of the allowable tax credits is made to the taxpayer.

How to file an application for R&D tax credits

To claim R&D tax credits, taxpayers must first complete form RDW-222-V, *Deduction respecting Scientific Research and Experimental Development Expenditures*, and the forms required for the specific credits claimed.

You must be able to

- specify the R&D projects covered by your application for tax credits and provide certain related information;
- justify all salaries and wages for R&D activities, especially if you are applying for more than one credit pertaining to salaries and wages;
- indicate other R&D expenditures (e.g., subcontractors).

An application is considered to be complete only if it contains all of the prescribed forms, duly completed, and all other required information. Your application will be processed once the Ministère du Revenu receives confirmation from the CCRA that your projects meet the scientific eligibility criteria.

Confidentiality

All tax files are confidential. The information contained in a taxpayer's file may not be used or communicated to any other person without the taxpayer's consent, **unless the said use or communication is carried out in accordance with the relevant legal provisions**. A person's tax file comprises information that the Minister of Revenue holds with respect to that person, in any form whatsoever, for the application of fiscal laws. The Ministère du Revenu is therefore required to respect the confidential nature of all the information it receives, including information about R&D activities.