SR&ED 101

FOR CANNABIS COMPANIES

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One of the eternal questions that experienced SRED consultants encounter most often when speaking to potential and existing clients is "what work qualifies as SRED for the SR&ED Tax Credit program?"

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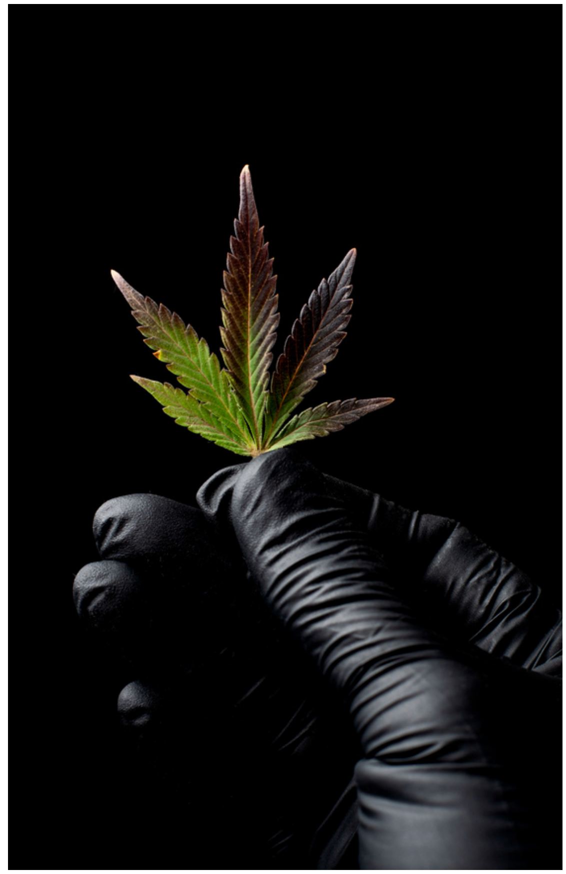
SR&ED is for Cannabis Companies, Too!

Contrary to what many people believe, scientific research and experimental development are not just for IT or computer science and software engineering. Non-technical companies often have R&D work that can qualify for SR&ED tax credits as well – breweries, kitchens, food producers, cosmetics, pharmacology, agriculture, construction, energy production (including green energy initiatives), and oil & gas and alternative fuels.



SR&ED tax credits are a crucial part of your successful financial future and overall financial success strategy. By not submitting an SR&ED claim, you could be missing out on potentially thousands of dollars in tax credits.

The Canadian government pays out over $4 million annually in SR&ED tax credits and refunds to Canadian-controlled corporations against qualifying person-hours and wasted materials expenses.

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When R&D Becomes SR&ED

R&D work qualifies for SR&ED tax incentives when new scientific or technological knowledge is needed and generated to complete a project. Existing expertise and industry knowledge can only take you so far in your product or process development. To get from that point to the end of your intended developmental journey, you need to generate new knowledge, and perhaps apply a strategy that may have been proven in another industry and/or seem theoretically applicable to your industry, but is, as yet, untested. Or, generate something completely new.

- Ex 1: Growing Up has been experiencing increased incidents of root rot in their crop. Their growing facilities meet accepted growing practices, so they are unsure why this is happening.

- Ex 2: Green Beanies has been making clothes from hemp. There are accepted practices for harvesting hemp to create the cotton-like fibers needed for the clothing industry, and an acceptable percentage of product wastage of 15% overall in the process. Green Beanies wanted to reduce their overall wastage to 2-5%, and there was no information available on how they might be able to achieve that.

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- Ex 3: Potted Greens have been experiencing increased incidents of bugs that result in a 30% loss in their crop yield. Health standards stipulate that they cannot use commercial or chemical-based pesticides. It's unknown what product they can use or in what concentration without affecting the quality of the final product. While natural anti-pest strategies do exist (eg: Praying Mantises and ladybugs) it remains uncertain if these methods would be of any benefit in this application.

- Ex 4: Extraction technologies for the hemp industry are in their infancy. While there are many theories as to what constitutes the best extraction process to produce as pure a product as possible, there are no certainties in this area of the industry. Both THC and non-THC versions of CBD oil are used for different purposes and need to be of the finest quality. Grainage Inc. has not been able to meet the standards they want using existing technologies and practices.

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Work Doesn't Have To Be "Rocket Science" To Qualify For SR&ED.

So, how can you determine when new scientific or technological knowledge is needed? How do you know when you've crossed the line from R&D into SR&ED?

Transitioning From Existing Knowledge To New Scientific or Technological Knowledge: The "Why" of SR&ED

New scientific or technological knowledge is needed when you need to solve an unknown or is generated when the path to achieving a given result or objective is uncertain. This uncertainty could be due to an insufficiency in the available scientific or technological documentation or industry knowledge.

If you decided not to address the uncertainty and instead worked to find a way to circumvent or "workaround" the problem using available knowledge, then the work will not be eligible. However, if you tried to resolve the uncertainty and your work was an attempt to generate the knowledge you needed to get you to the end of your project goals (whether or not this attempt was actually successful), then your work will meet the "*Why*" requirement of SR&ED.

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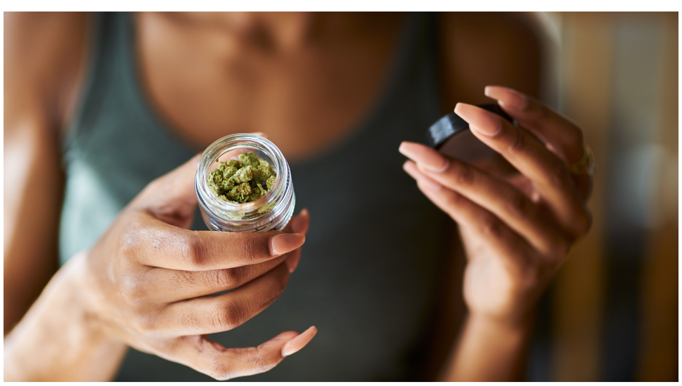
Solving a Technological Problem: The "How" of SR&ED

Businesses follow known design methods, techniques, procedures, protocols, standards, and other practices. Problems are often solved using a systematic approach that follows established procedures and standards. Nonetheless, it is not enough that work is carried out systematically in order for it to be eligible for SR&ED tax incentives.

For work or a project to be considered SR&ED, it must include:

- Generation of an idea consistent with known facts, which serves as a starting point for further investigation towards achieving your objective or resolving your problem. Your idea may be expressed as a possible solution to a problem, a proposed method, or an approach. This can be referred to as a hypothesis.
- Testing of the idea or hypothesis by means of experimentation or analysis. The idea can evolve and change as a result of testing.
- Developing logical conclusions based on the results or findings of the experiment or analysis.
- Keeping evidence that is generated as the work progresses.



*******Note: Even if you didn't generate documentary evidence from the very beginning of your work, you can still submit a claim. Let us show you how.***

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- **Existing design methods are not applicable;**
- **Requirements or specifications do not conform to existing standards;**
- **The technology or component is so new, no standards or documentation may exist;**
- **Other corporations and industry specialists may have encountered similar problems, but have not made their solution public;**
- **Too many variables or unknowns either in terms of the problem itself or any potential solution to the problem;**
- **Parameters or conditions are outside of the normal operating range;**
- **The nature of the problem is evolving;**
- **Data is not readily available;**
- **There are constraints or uncertainties surrounding making different and normally separate components work together.**

If you or your team have been working on projects, product or process development and have encountered these questions or obstacles, you may have eligible expenses that can be claimed.

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We Make SR&ED as Easy for You as Possible

We make applying for SR&ED as easy for you as possible by providing simplified, straightforward, and efficient SR&ED submission solutions. We can save you many billing and productivity hours by doing the leg work of the application process for you.

Your employees are most valuable to your company when they're working on things that profit your company. Your company can still benefit from and receive SR&ED tax credits which can be reinvested in other areas of your business without sacrificing your valuable person-hours.

We have the experience and expertise to translate and describe your work in terms the CRA is looking for in claim applications. Not meeting these requirements may lead to your claim being rejected. The SR&ED rules the CRA has in place can be very confusing and preparing a claim can be time-consuming and frustrating. That's why you need **SRED Unlimited** to work with you and maximize the tax credits to which you are entitled to for your valuable work.

The Cannabinoid industry is the newest and one of the fastest growing industries in Canada. And because it's so new, there are a lot of uncertainties not only in terms of growing and harvesting but also in how to translate the work done and strategies applied into SR&ED. **SRED Unlimited** knows how this very unique industry can fit into SR&ED and can grow with you as you grow.

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SRED Unlimited

We offer simplified, straightforward, and efficient SRED submission solutions.

Maximize your claim, minimize your stress.

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