

UNLOCKING SR&ED FOR CLEANTECH STARTUPS: REDUCING
DEVELOPMENT COSTS AND RISK

TECHTALK SESSIONS

November 27, 2024

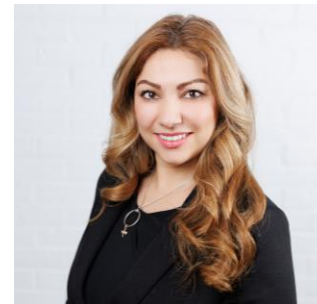
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Unlocking SR&ED for Cleantech Startups:

Reducing Development Costs and Risk

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The better the question. The better the answer. The better the world works.



Shape the future
with confidence



Agenda and objectives

1

Overview of EY Incentives team

Get to know team members

2

SR&ED program overview

Benefits available to claimants

3

Background & technical eligibility

The latest guidance on CRA's approach

4

Eligible cost categories

What can and cannot be claimed

5

SR&ED indicators

Things to look for when identifying potential projects

6

EY's process

Our low impact approach to maximizing your claim

7

Questions and discussion



Overview of EY's incentives team

Our multidisciplinary team is your **one-stop shop**



We bring together rich expertise, cross-sector understanding and vast experience as one of Canada's largest dedicated SR&ED and Incentives practices.

Whatever your size, scale or ambition: we are a nimble operation, operating at the heart of one of the world's most connected professional services firms.

**THIS MEANS YOU'LL NEVER
HAVE TO GO ANYWHERE ELSE.**



Scientists, engineers and tax specialists



Covering all Canadian industries, sectors, markets and jurisdictions



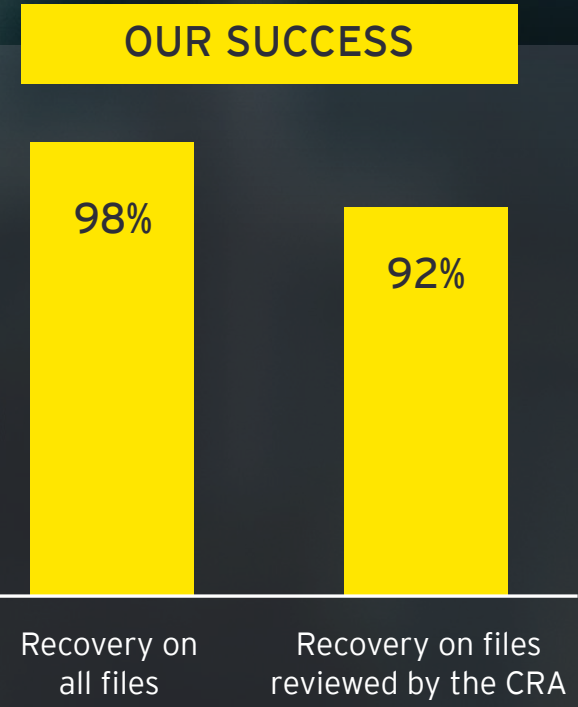
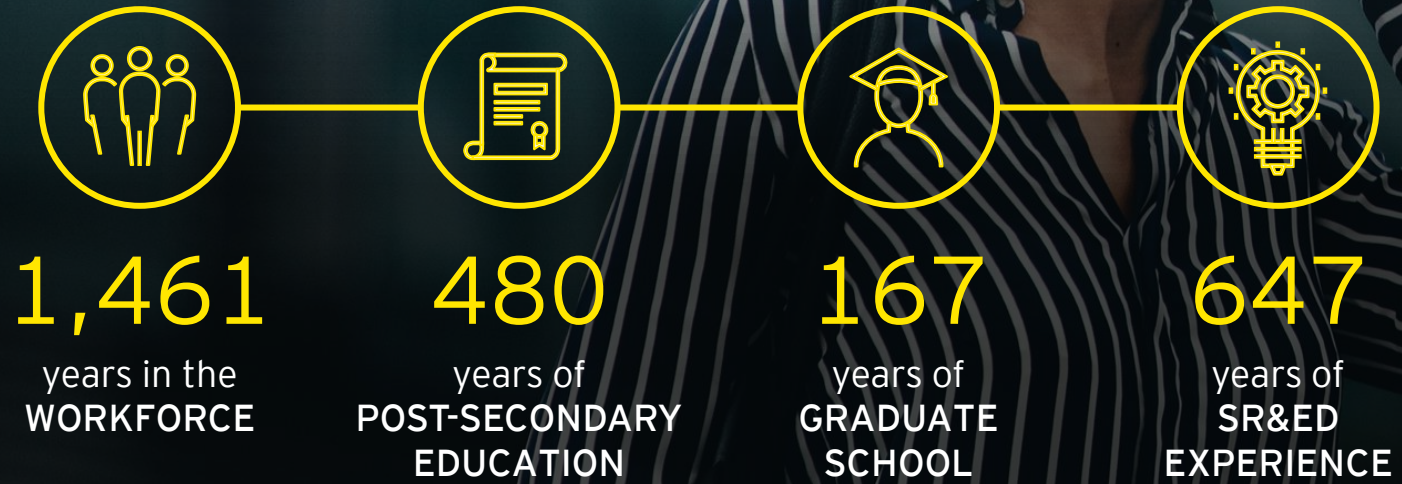
Thinking local, and acting global, to navigate Canada's extensive claims landscape

SRED Technical & Financial Resources

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Our wisdom translates into
your success

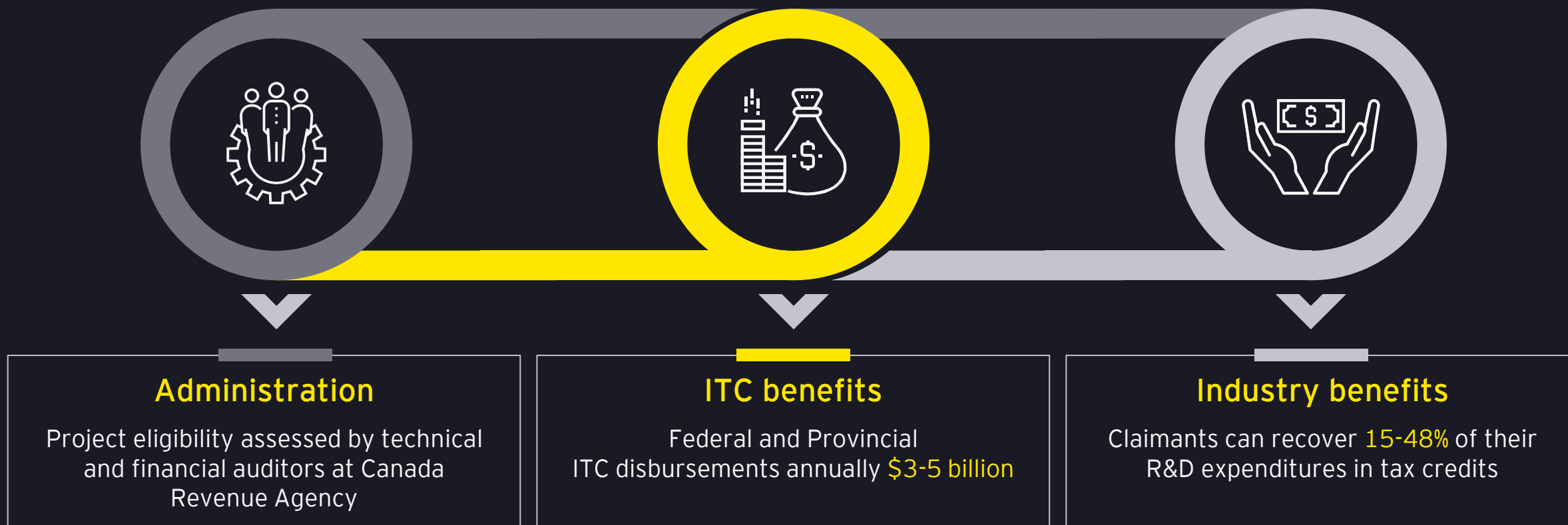




SR&ED Program overview

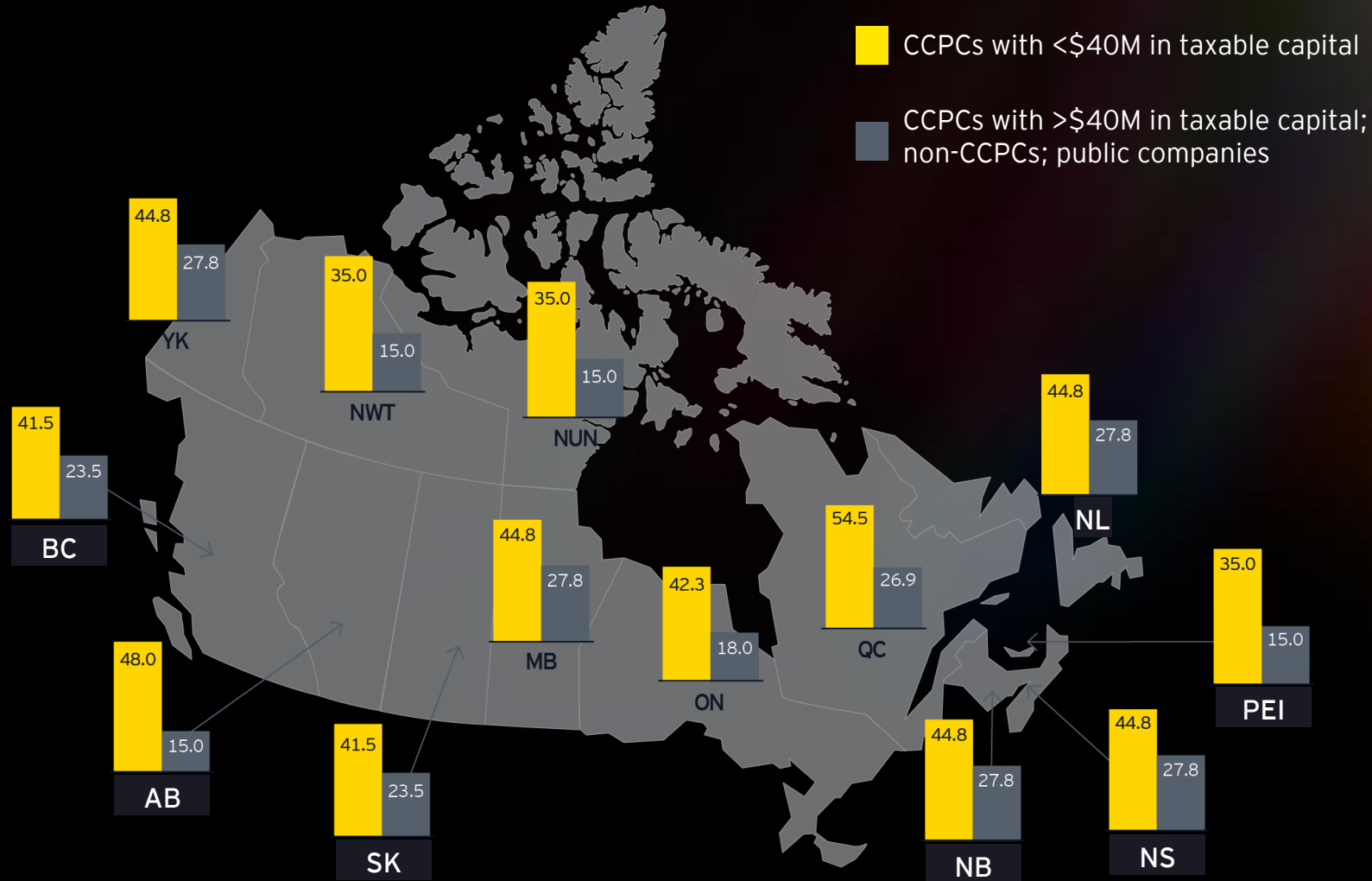
What is SR&ED?

A long-standing Canadian tax incentive program intended to promote innovation and technology advancements in technology and engineering environments. It is the single largest source of non-competitive funding in the country.



ITC = Investment Tax Credits

National benefit landscape



Unique program features



Can claim retroactively

Program allows for claims to be submitted up to 18 months after a fiscal year end - Ideal scenario involves filing concurrently with T2



Failure is acceptable

Project success is not an eligibility requirement - Even failed attempts can create new knowledge and represent advancement



Broadly Applicable

Available to all companies and industries in Canada operating in any eligible field of science or technology



Uncapped benefits

Available to all companies and industries in Canada operating in any eligible field of science or technology



Respects competition

Multiple claimants can claim for the same technology development provided the methodology has not been disclosed publicly



Not a grant

Incentive program available to all taxpayers. Benefit disbursement is based strictly on being eligible, not the most eligible



Confidentiality preserved

There are no requirements to publicly disclose any elements of your technology development to access the incentive



Mature program

SR&ED is utilized by most companies developing new technology. Not claiming SR&ED invites risk of being out-competed by those that do



Background & technical eligibility

The SR&ED definition describes HOW and WHY the work is carried out

“

Part 1: How?

a **systematic investigation** or **search** that is carried out in a field of science or technology by means of **experiment** or **analysis**...

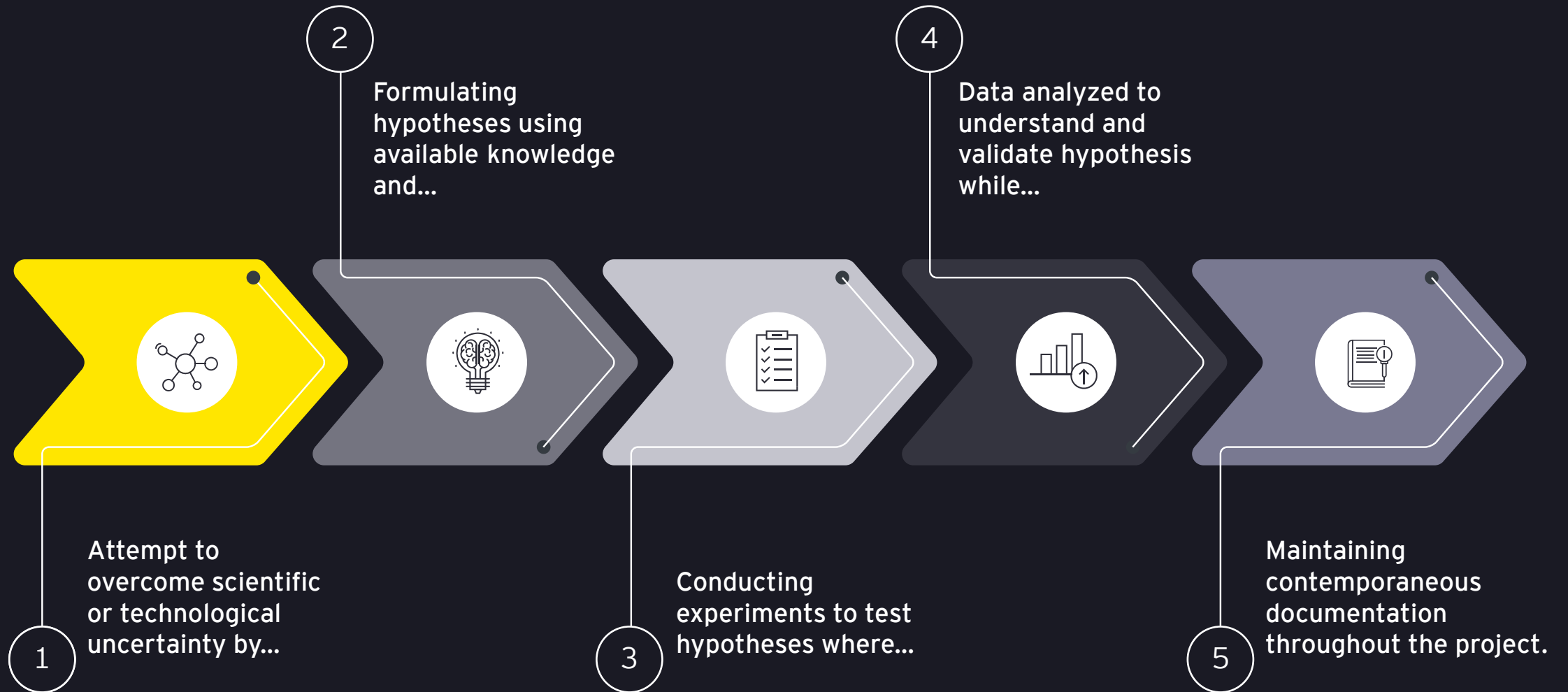
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Part 2: Why?

...the **advancement** of scientific knowledge, or for the purpose of **achieving technological advancement** aimed at creating new, or improving existing, materials, devices, products, or processes including incremental improvements.

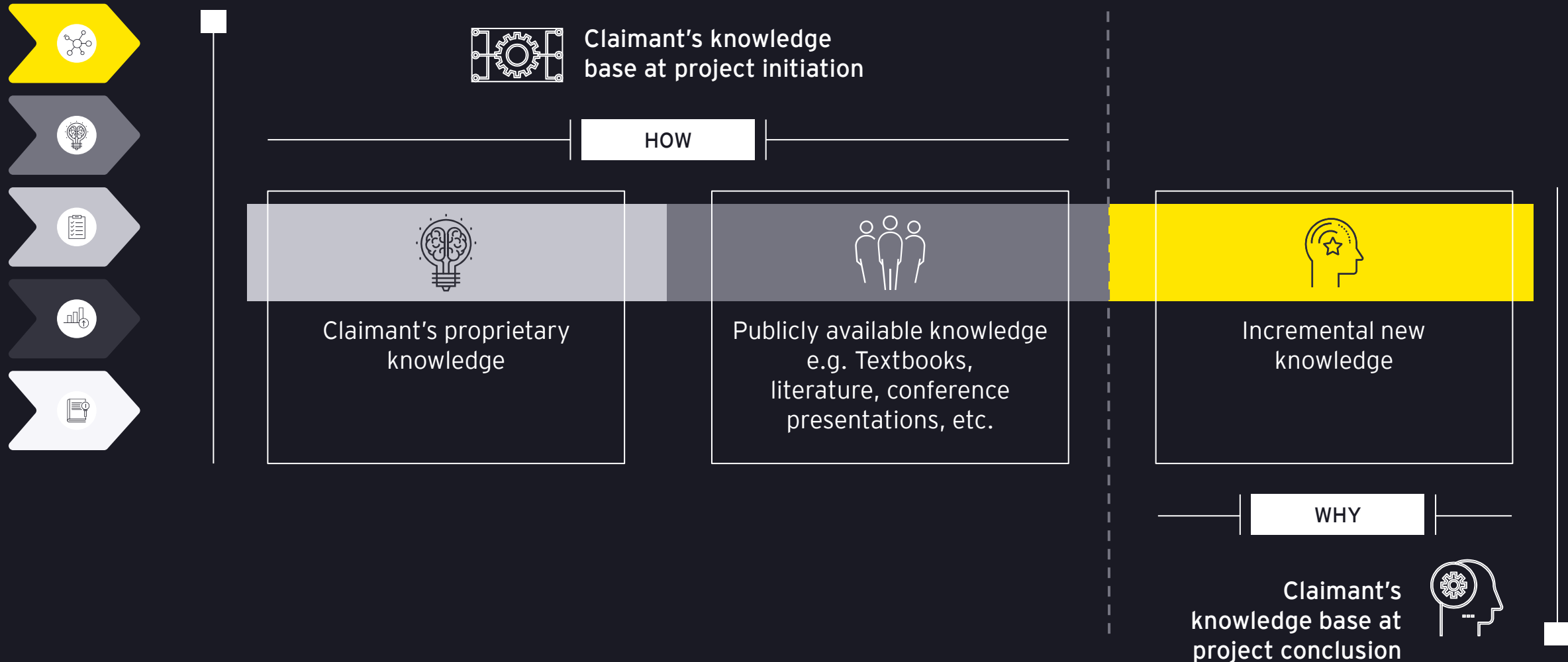
How the work is performed

Scientific method (i.e. the 5 Questions approach) still dictates how the work must be performed and documented

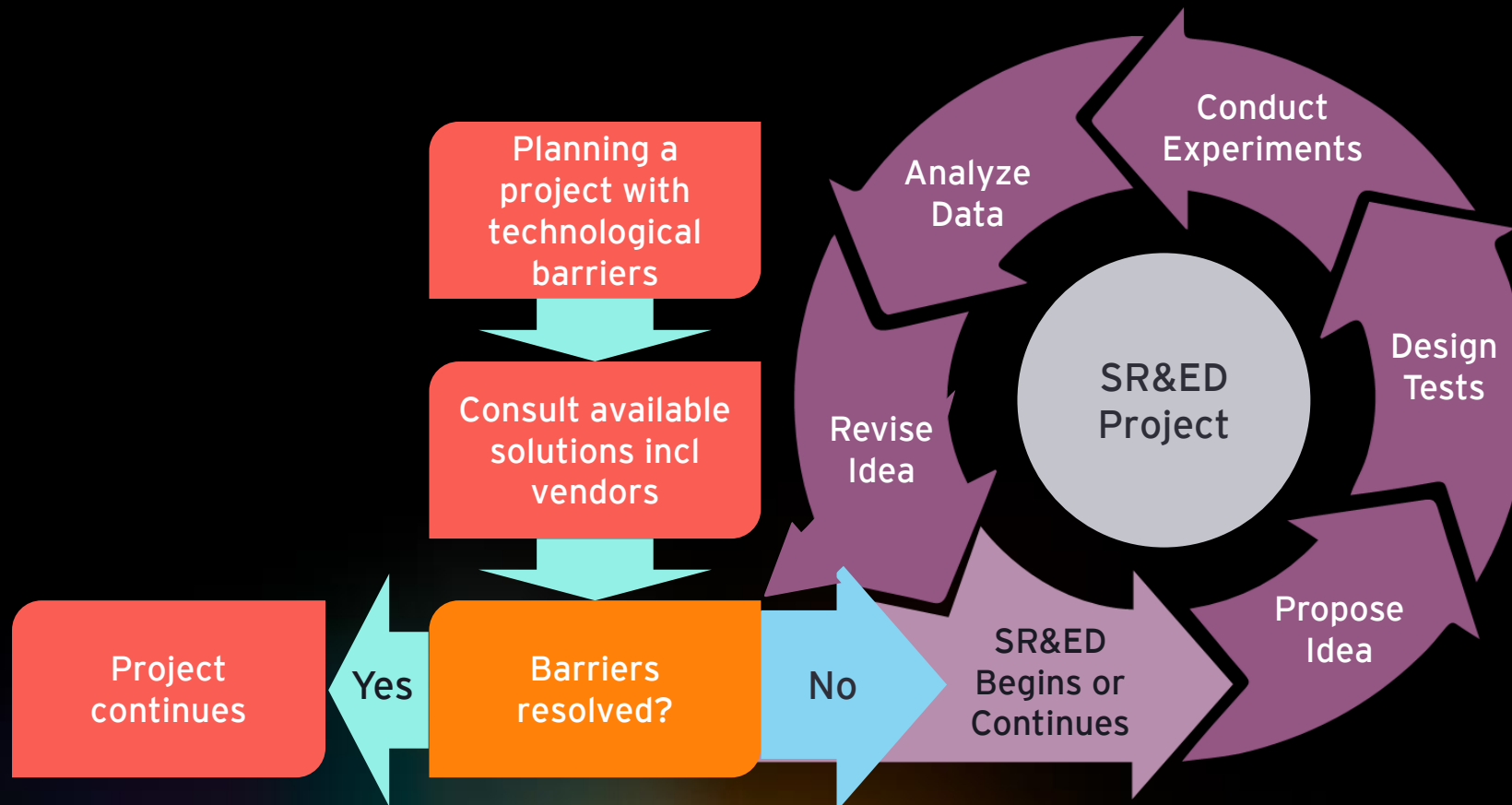


Why the work is performed

Purpose is to advance technology by enhancing knowledge of the underlying scientific principles and relationships that govern an experimental outcome



How to identify an eligible project



Documentation requirements

Documentation **should be dated**. It is important to identify and track projects as they happen. **Some examples:**

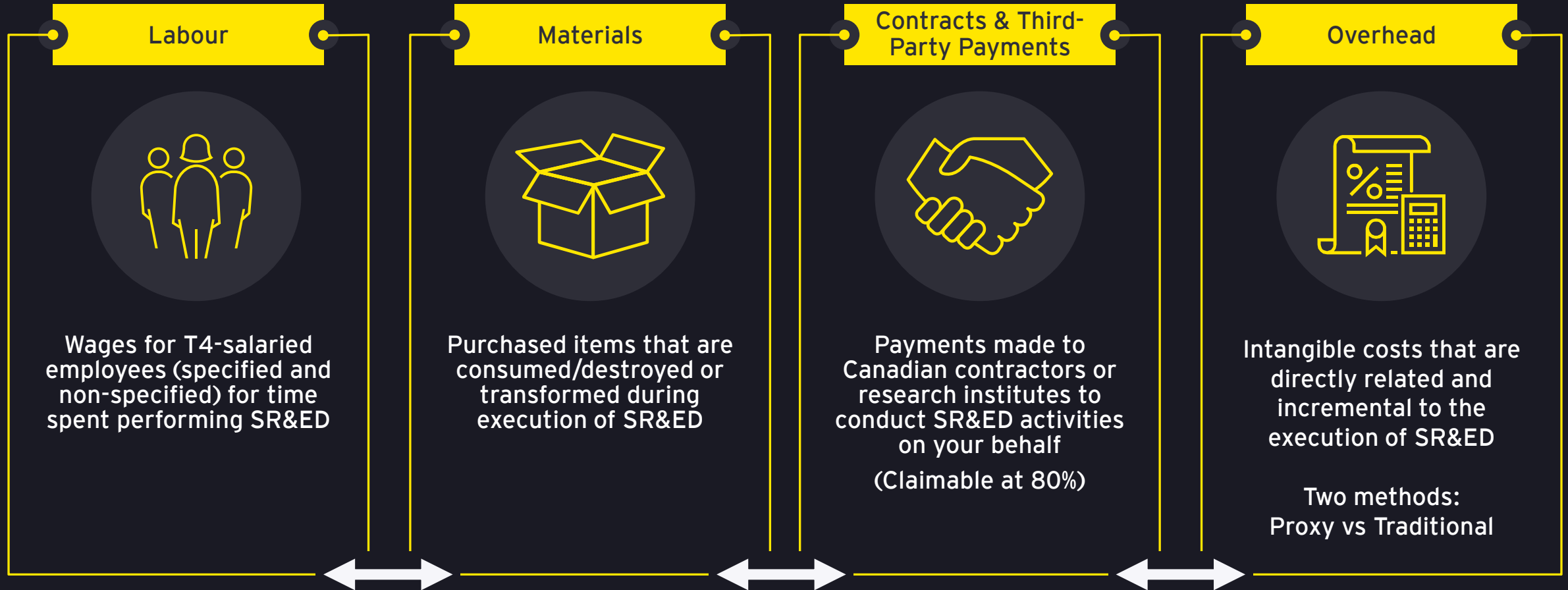
- Project planning documents
- Records of resources allocated to the project (e.g. Time sheets)
- Design of experiments
- Project records, laboratory notebooks
- Records of trial runs
- Progress reports, minutes of project meetings
- Test protocols, test data, analysis of test results, Conclusions
- Photographs and videos
- Contracts and invoices



A close-up photograph of two people working at a desk. One person, wearing a dark blue button-down shirt, is holding a pen and pointing at a tablet. The other person, wearing a light blue button-down shirt, is also looking at the tablet. On the desk, there is a large calculator, a smartphone, a pair of glasses, and several papers, including one with a bar chart and another with a pie chart. The background is a light-colored brick wall.

Eligible cost categories

Eligible cost categories



Support Work Categories*



Engineering

A



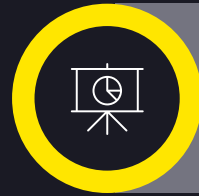
Design

B



Operations research

C



Mathematical analysis

D



Computer programming

E



Data collection

F



Testing

G



Psychological research

H

* Must be commensurate with the needs and directly in support of SR&ED.

Claiming SR&ED with additional Canadian funding



And many others...

How to account for other sources of Canadian funding, including from Canadian companies

1

- ▶ Identify projects and eligible activities
- ▶ Include labour, materials & contracts
- ▶ Determine preferred overhead method (proxy or traditional) and include

2

- ▶ Identify sources of Canadian assistance (government & non-government)
- ▶ Assess areas of support
- ▶ Exclude support for non-SRED activities

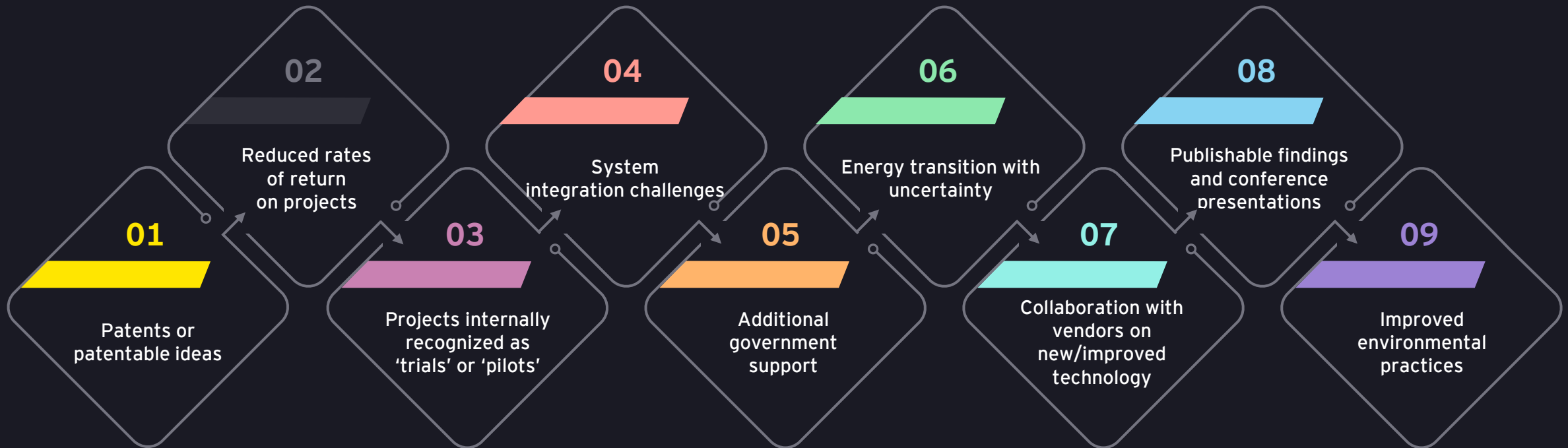
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Box 1 - Box 2 = **Total Qualifying SR&ED Expenditures for ITC Calculations**



SR&ED indicators

How to identify a project



SR&ED projects co-exist within all facets of Clean Technology



Environmental
Heat and Power
Generation

Carbon Capture
Utilization and
Sequestration

Water Management

Energy Efficiency
Facility and Process
Engineering

Digital Transformation
Data Science and
Machine Learning



Maximizing your SR&ED claims

Our 4 Step Process



What if minimal effort could **unlock maximum results?**



LESS time
required from
Project Leads

+



EY's Industry
Leading
Experience

+



First-in-class
SR&ED Tracking &
Compilation Tools

=



MROI
Maximum Return on
Time Investment

**ALLOWS MORE TIME
DEVOTED TO R&D ACTIVITIES**

=

- ✓ More productivity
- ✓ Shorter development cycles
- ✓ Quicker time to market
- ✓ Increased profitability potential

RETURN ON INVESTMENT

Your success is contingent on limited but active participation by your team. By investing a small amount of time, you can expect an impressive return on your investment.

Fewer costs. Greater capital.

Limitless opportunities.



Our holistic approach helps minimize the effort YOUR TEAM spends on SRED while maximizing the benefits and return on time and investment.

PROCESS FOR CLAIMING A SR&ED PROJECT



The non-dilutive funding landscape offers our clients significant opportunity to leverage for capital spending initiatives



Federal Budget 2023 Incentives

The federal and provincial governments offer a range of incentives to help Canada transition to a clean economy. Strategic Priorities include:



Electrification



Electric vehicle and batteries



Clean energy



Critical minerals



Major projects



Clean manufacturing



Infrastructure



Emissions reduction

These proposed measures include targeted incentive programs and investment tax credits:



Targeted programs

- ▶ Strategic Innovation Fund
- ▶ Smart Renewables and Electrification Pathways Program
- ▶ Clean Fuels Fund
- ▶ Low Carbon Economy Fund



Investment tax credits

- ▶ Clean Electricity
- ▶ Clean Hydrogen
- ▶ Clean Technology Adoption
- ▶ Clean Technology Manufacturing
- ▶ Carbon Capture, Utilization and Storage



Pollution pricing and regulatory framework

- ▶ Large-Emitter Pricing Systems
- ▶ Contracts for Difference
- ▶ Clean Fuels Regulations

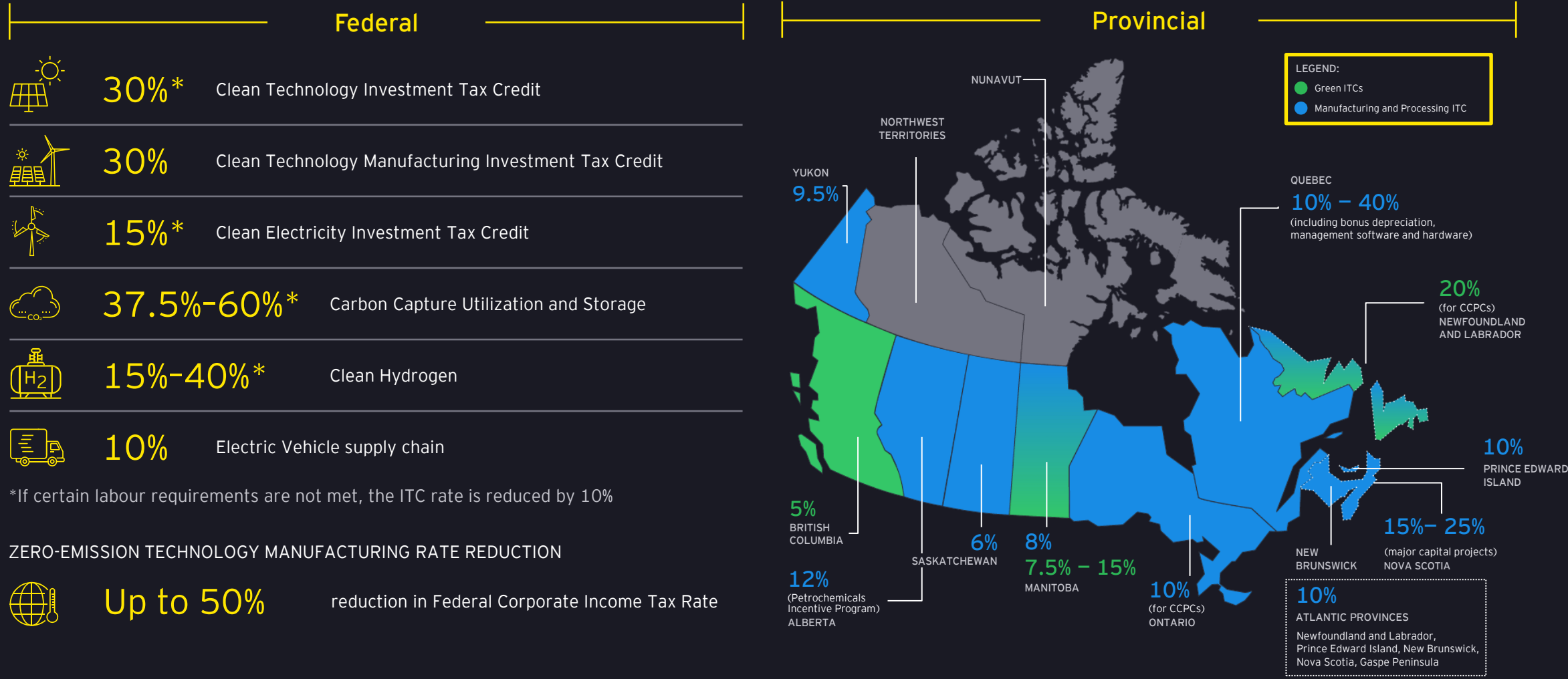


Strategic finance

- ▶ Canada Infrastructure Bank
- ▶ Canada Growth Fund

Clean economy Investment Tax Credits

The hallmark of Canada's Emissions Reduction Plan are multiple capital-based refundable ITCs



Next steps & best practices

1

CONSIDER

Think about your work this past year.

If you were developing technology, engaging with operators to design trials, analyzing data, solving problems, modifying processes, or presenting ideas then you may have been performing work that qualifies for SR&ED support.

Projects can have started several years ago and are ongoing, have started this year, or just be kicking off.

2

CONTRIBUTE

If there is potential the work qualifies, look for and locate key project documents. These may include project charters, patent applications, development plans, investor decks, engineering documents, etc.

Identify the key project contributors - internal and external contractors - and share this presentation with them so they are familiar with the SR&ED program.

3

CONSULT

Reach out to a member of the EY SR&ED team (see contact details on Slide 5).

Scheduling a quick scoping session will help determine if the work qualifies and what the next steps will be.

Please remember, you don't need to determine eligibility on your own.



If you are preparing to launch a new project or working toward a field trial or pilot with an industry partner, **connect with the EY SR&ED Team** to discuss scope and explore easy ways to track progress and maximize funding.



Questions and discussion



Thank you

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Thank You!

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