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New Interpretation of SR&ED Eligibility Is Particularly Exciting for the Textile and Apparel Sectors.

By Elliot Schiller, Teeger Schiller Inc., posted May 25, 2015

Canada Revenue Agency (CRA) has revised its Eligibility of Work for SR&ED Investment Tax Credits Policy and these changes may assist sectors which have been proportionately under-funded in the past -

At the end of April, 2015, the Canada Revenue Agency (CRA) revised its Eligibility of Work for SR&ED Investment Tax Credits Policy with significant new "clarifications". The apparel and textile manufacturing sectors, which have been proportionately under-funded based on their revenue contribution to the gross domestic product, will likely benefit from this new policy interpretation. For the first time since the program was introduced in 1992, the term scientific method no longer applies to the SR&ED program. In a confirming acknowledgement of the shop-floor practices of the domestic manufacturing sectors, CRA now refers to the proper method of attempting product or process improvement as systematic investigation, as opposed to scientific method.

Furthermore, CRA clarifies the term analysis in order to acknowledge that all analysis is done within the particular framework of the specific manufacturer analyzing the problem in front of them. It acknowledges that a small to medium sized enterprise (SME) is not expected to have the domain knowledge or experience that a Fortune 500 company would have available to it, and said SME will only be judged against its own existing state of the art. That is why, for example, the past decade has seen so many apparel companies obtain funding for performing the same systematic investigation in order to be able to effectively manufacture garments from the new technical textiles. It is also why so many textile companies have simultaneously perfected their ability to dye and otherwise work with technical textiles. Most innovation is done concurrently by many companies, all of whom see where the future is going and recognize where they need to be to stay competitive. Our firm has successfully worked with close to one hundred apparel and textiles companies and assisted them in obtaining millions of dollars in government funding. You can see many of our apparel and textile clients on our website at FundingHelp.ca.

CRA also modified the definition of analysis to explain that "analysis is an integral part of the systematic investigation or search and it can be used to generate or test a hypothesis". Hypothesis is another term that is not commonplace on the shop-floor. Acknowledging that reality, CRA also revised the definition of a hypothesis and states that "a hypothesis is an idea, consistent with known facts, that serves as a starting point for further investigation to prove or disprove that idea". While the Oxford Dictionary might take objection to this over

simplification, CRA, in its defence, adds a note to the definition stating that "the explanation has been simplified to improve understanding and readability".

Towards the end of the Paul Martin government and the beginning of the Stephen Harper era, based on independent reporting, CRA recognized that certain business sectors, primarily those dominated by SME's, such as the textile and apparel industries, were not receiving their proportional share of the then \$3 Billion that was being awarded to the manufacturing sector., through the SR&ED program. In an attempt to correct this discrepancy, CRA began promoting the program via pamphlets, and speaking tours, thus, doubling the annual funding to manufacturers to \$6 Billion. There hasn't been much promotion of the program by CRA since that time so the introduction of this revised eligibility document with the elimination of the term scientific method should be a wakeup call to all domestic manufacturers to make sure that they are receiving their credit for innovation. If you are amongst the surviving domestic apparel and textile manufacturers, it is likely that you remain so by continuing to improve your products or processes, and/or you continue to attempt to develop new products. Even if these activities are still in progress, or currently on hold, or you have failed to achieve any or all of your objectives and recognize that within your given corporate expertise, budget and time frame, these pursuits are unrealistic, you may be eligible for SR&ED funding. This funding help is not a gift, it is your entitlement. Your competitors are taking advantage of this financial support and if you do not, you are putting yourself at a disadvantage.

This author is always open to discussions with your company about your shop-floor innovations in order to evaluate whether such activities rise to the level of SR&ED. If you have gaps in your knowledge that you attempt to overcome in order to improve your products or processes, it is likely that you are doing systematic investigation in order to overcome these issues, and you may qualify for funding help. Even if you don't think you would qualify, we are only a phone-call away, and we will give you our expert opinion for no fee or obligation.

However, don't procrastinate, as SR&ED eligible activities have a deadline, and the SR&ED funding credits do expire.

This article was provided by Elliot Schiller, Teeger-Schiller. You will find the link to the revised CRA document on their website at www.FundingHelp.ca, and you can always reach them at 1-888-816-0222 ext. 102 for Elliot Schiller.

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David Teeger C.A., C.A. (S.A.) graduated as a Chartered Accountant in South Africa, and upon arrival in Canada he obtained his Canadian C.A. designation and joined Richter & Associates, a management consulting firm, where he concentrated his practice on various business sectors including household goods, fashion, automotive parts, public associations, and retail chains. He performed many roles in his 15 years at Richter, including managing the professional services organization in North America and all business operations throughout Europe.

David's professional capabilities include computer audits, feasibility studies, system analyses and assistance in the selection, negotiation and implementation of computerized solutions.

As a founding partner of Teeger Schiller Inc., he has focused his practice on consulting to management. His team of professionals has helped businesses select and successfully install a variety of ERP business solutions and add-on systems including business intelligence solutions to give new life to existing computer systems. David's clients not only rely on him to successfully manage the implementation of their new systems, but to manage the change that occurs in their organizations as a result of the use of these new tools.



Elliot Schiller

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Elliot Schiller, Ph.D., C.M.C. began his career as a Chemical Engineer working for Grumman Aircraft, in Long Island, New York. He obtained his Ph.D. at the University of Pittsburgh with funding from the U.S. Atomic Energy Commission, and, after being awarded a Presidential Fellowship, he went on to perform research and development activities at Brookhaven National Laboratory.

Since coming to Canada, he has primarily assisted consumer products and retail organizations in a variety of strategic management initiatives, traveling around the globe on behalf of his clients. In 1987, Elliot joined Richter & Associates, and it is here that he first met David Teeger.

As a founding partner of Teeger Schiller Inc., he has focused the SR&ED / Grant Division on obtaining grants and tax incentives for over 100 companies in the small to medium sized business sector. His team has provided services to the discrete / processing manufacturing, material development, textiles, apparel, automotive and computer sciences sectors. Annually, Teeger Schiller Inc. secures more than \$5 million in government funding to assist its clients in having their business initiatives supported by government funding.



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