
What Makes Ontario's R&D Tax Benefits Better than the U.S.

Ontario: Firms earn a tax credit on **every dollar** invested in eligible R&D

US: R&D credit only applies to 50% of eligible costs above a base amount reflecting past gross receipts

Ontario: Eligible expenses: Wages & salaries, materials, capital equipment, overhead, and consulting fees.

US: Eligible expenses: Wages & salaries, materials & 65 – 75% consulting fees

Ontario: Tax credit can offset 100% of federal tax payable in the year they occur or be **carried back 3 years or carried forward 10 years.**

US: Tax credit can only be expensed in the year they occur

In Ontario a wide range of activities qualify as R&D

1. New Product Development
 2. Development of new or improved materials
 3. Manufacturing process improvements
 4. Software development
 5. Clinical trials of new drugs or medical devices
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Can my head office retain ownership of intellectual property developed in Ontario?

Yes! An Ontario corporation can claim R&D tax incentives even if those costs are covered in whole or part by payments from foreign corporation or government.

How flexible is it to structure an R&D Investment in Ontario?

Foreign & Ontario companies can benefit under variety of scenarios

- ⇒ The foreign parent can contract with its Ontario subsidiary to perform R&D.
- ⇒ The Ontario subsidiary of a foreign company can undertake R&D on its own.
- ⇒ A foreign company can contract with an unassociated Ontario company to do R&D on its behalf.
- ⇒ A foreign company can set up or acquire a minority interest in a small Canadian-controlled private corporation (CCPC) that performs R&D.