Business / Small Business / money

Change is coming: capital assets, tax credits and SR&ED

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For 50 of Canada's fastest growing companies these credits represented 22% of their financing in 2012, according to the 2012 Profit Magazine Hot 50 report.

But changes are coming to the program. One of the most significant is the elimination of R&D capital assets as eligible deductions under the program as of 2014. That means that 2013 is the last year that such eligible investments will generate a SR&ED tax credit.

Howard Lerner, CA and partner at Richter LLP in Toronto, advises clients that any planned capital expenditures that would be eligible for SR&ED should be acquired and used before December 31, 2013.

Examples of the type of equipment that often qualified under the program are:

- Equipment used in a test facility or laboratory
- Computer equipment used for testing software programs that would qualify for SR&ED
- Equipment used in testing food processing e.g. ovens, freezers, etc.
- Automobile used to test an alternative fuel source.

Before making such investments, speak with a tax advisor knowledgeable in SR&ED to find out if the expense is likely to qualify under the program.

Business owners of specialized equipment companies should put their sales force on overdrive to capture this window of opportunity. After 2013, the after tax cost of these products will rise significantly for customers.

This information is general in nature and is not intended to constitute specific tax advice for any individual. This article was commissioned by Caring for Clients and published in partnership with The Star.