

Government Funding for Canadian Business

SR&ED Tax Credits and Financing



10th April 2025

SR&ED Tax Credits



2024 stats

91% approved or accepted as
filed

6% accepted after modification

3% denied

- 21,500 SR&ED claims are filed annually
- CCPCs earns over 40% of eligible SR&ED costs (with a few restrictions)

Additional Statistics

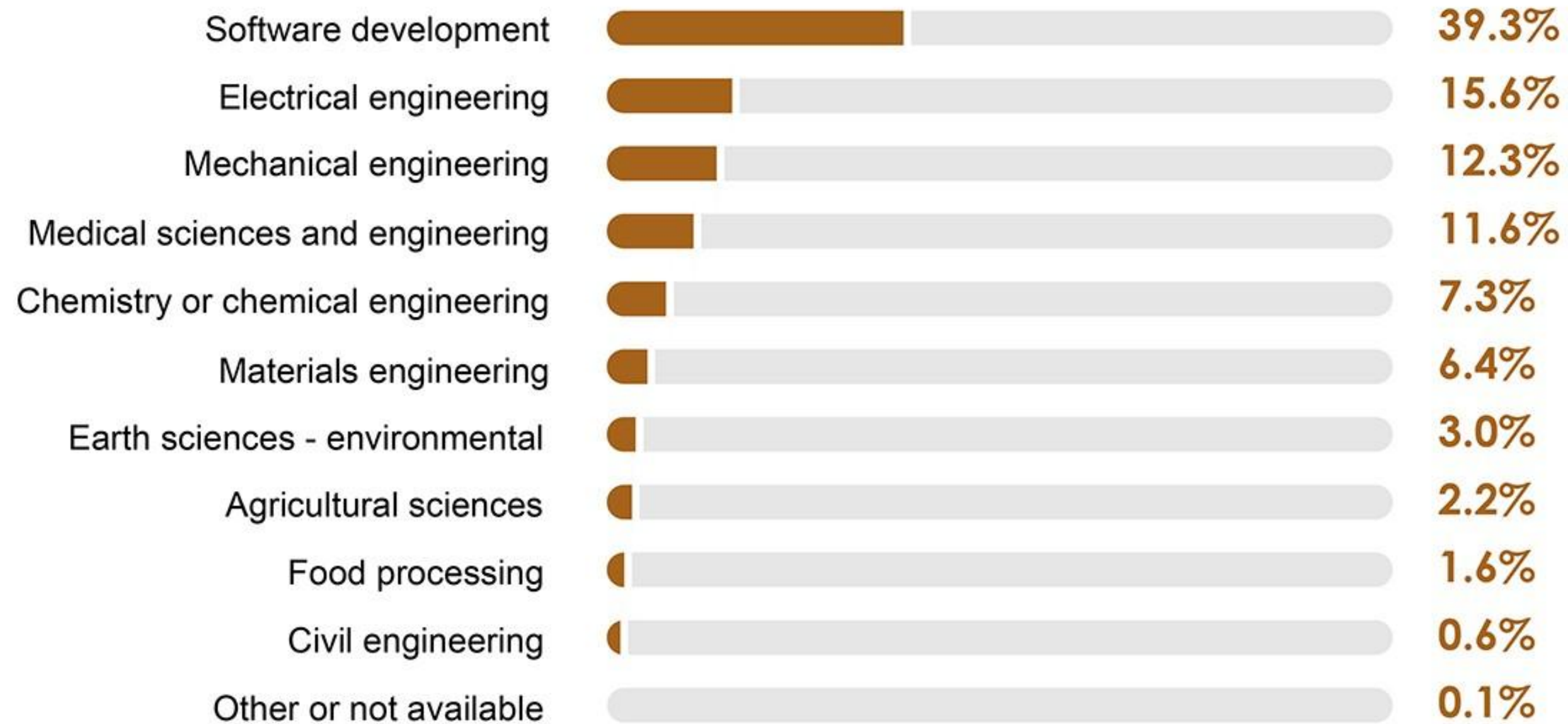


- SME's account for **97%** of all claims processed but receive in total 74% of ITC's allowed for an average SME claim of \$150,000.
- The ITC's allowed have increased from \$3.1B to \$4.1B over the past 2 years - an increase of **32%!**
- However, the average number of claims filed has not increased substantially, therefore, the average size SME claim has **increased substantially** over the past 2 years.

Percentage of Total ITCs by Field of Science



April 1st, 2023 to March 31st, 2024





SR&ED : Eligible Costs and Tax Benefits

- Labour
 - T4 Salaried
 - Canadian Contractors
- Overhead
- Materials consumed



SR&ED : Project Eligibility

SR&ED Eligibility Criteria



- Scientific OR Technological **Uncertainty - WHY?**
- Systematic Investigation - **HOW?**
- Scientific OR Technological **Advancement**



ALL 3 CRITERIA MUST BE MET

SR&ED Indicators



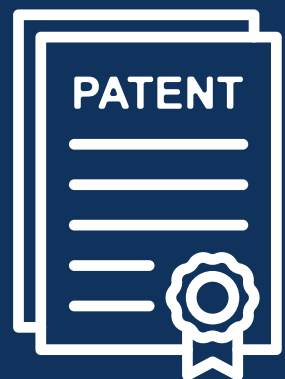
Ps of SR&ED



- Are you developing, or improving upon, a **new product**
- Are you creating, or improving upon, a **new process**?



- Are you developing **custom** machinery?
- Are you developing **prototype** equipment?
- Is the development subject to a **patent**?



Software SR&ED Indicators



Defining **technological uncertainty** can be especially difficult in the field of software development. To assist with this, there are several indicators that are useful for demonstrating that activities were not readily deducible by competent professionals in the field:

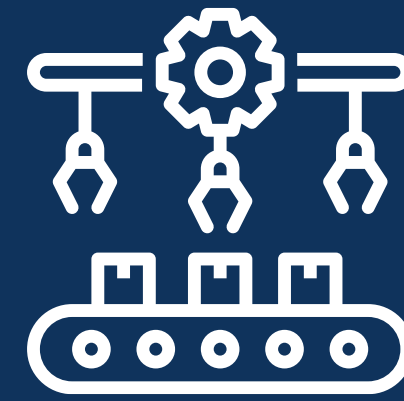
- Having to abandon or delay functionality because of the **difficulty** in making it work
- Extensive periods of **iterative experimentation** (hypothesis, build, test, revise cycles) required to achieve functionality
- Significant **project rearchitecting** part-way through development
- Long periods of **performance optimization** (where known optimization methods are not effective)

Software SR&ED Indicators



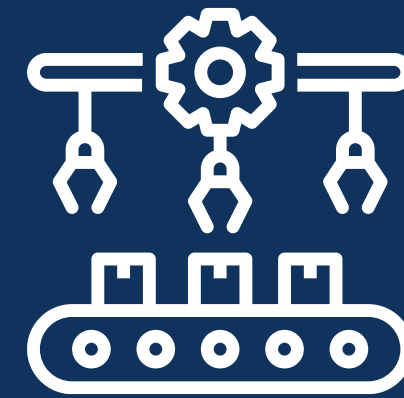
- Taking **several attempts** at perfecting a single function, even across multiple release versions (where the changes relate to the technological implementation rather than the user experience)
- Development which took existing tools (open source or otherwise) and used them in ways for which they were **not intended** or had not been used before
- Not knowing at project outset whether the functionality was achievable, for **technological reasons**
- Not knowing which development pathway was most likely to result in success and therefore needing to **experiment** with multiple pathways

Manufacturing SR&ED Indicators



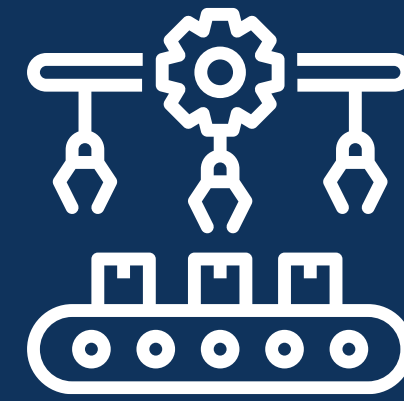
- Exploring the **practical limitations** of new materials or unusual alloys (work hardens, brittleness, etc.) to achieve improved yields or efficiencies. Including the development of new or improved forming, welding, and machining techniques which could include designing new jigs, dies, fixtures and tooling.
- **Experimenting** with new formulations or ingredients that cause **unexpected failures** (shelf-life stability, fouling, decrease in yields, etc.). Designing experiments at kitchen or small batch levels as well as line trials to overcome issues or identify persistent problems. Combining formulation development with new technology on the processing side makes for much stronger eligibility and magnitude of eligible costs.

Manufacturing SR&ED Indicators



- **Automation** of existing manual or semi-manual processes or communication between two legacy systems that were not originally designed to interact. Experimentation can take place virtually through simulation or on-site with prototype systems or modifications to an existing line.
- Development of new devices or proprietary equipment. Challenges can come from uniqueness of the device/product produced, but **experimentation** would be needed on the physical functionality or firmware, PLC levels.
- Development of new drugs, compounds, or medical devices. Can claim **early** experiments as well as **Phase IV** testing prior to commercialization.

Manufacturing SR&ED Indicators



- **Improvements** to structures or building systems (HVAC, plumbing, ventilation, etc.). Experimentation can be completed virtually via CAD modeling, prototype mock-ups, or modifications and monitoring on existing sites.
- **Collaborations** with Universities, colleges, institutes – good indicator that state of the art is being reached.

Recap : Best Companies for SR&ED

- CCPC's benefit the most from this tax credit, receiving approximately **40% on eligible expenditures**.
- Companies who incur a **high cost of salaried employees** working on eligible SR&ED projects
- In high-tech industries – the two largest categories are **Manufacturing** and **Software Development**.



MAXIMIZING THE SR&ED CLAIM FOR COMPANIES

Tips to **Maximise** SR&ED Claim



- Review list of **projects not claimed** (can smaller projects be grouped into larger projects?)
- Define projects by **technology** not product
- Review list of **eligible activities**
- Think about all costs to resolve a **technological uncertainty**

Opportunity



An effective SR&ED system:

- **Maximizes Refunds:** Ensures businesses get the maximum eligible tax credits or refunds.
- **Minimizes Client Staff Time:** Streamlines the process, reducing the involvement and time required from your development team.
- **Provides CRA Support:** Ensures all necessary documentation and evidence is provided to meet CRA requirements, facilitating a smooth review process in case of an audit.

RDP has developed and continues to improve upon our **Innovation Connection Program (ICP)**. This is a customizable and flexible SR&ED identification and tracking program.

Innovation Connection Program [ICP]



- Over **90%** time reduction
- **32%** increase in claim sizes

- Able to file within 6 month deadline – get credit faster
- Documenting knowledge base, advancements, uncertainties, and activities during the year, as they occur
- Gathering and organizing financial information, emails, meeting minutes etc. throughout the year.
- Easier for client to remember details from past 3 months versus 1-2 years
- All eligible projects are identified and tracked
- Maximizes the claim
- Gives time to improve documentation, if necessary, before year end
- Better reputation with CRA for well-documented claims
- Less likely to be reviewed but better preparedness if selected

What to **Avoid** in a SR&ED claim?



- **Social science** including economics and business objectives
- Marketing, Sales and Advertising
- Business Strategy and Management Consulting
- User Interface modifications
- Routine Administrative Activities
- Ensure you search online to ensure your solution is **not public knowledge**

Concessional Loans



These loans are now **NOT** government assistance.

Examples include FedDev, ACOA and Western Diversification (i.e., non-interest-bearing repayable government loan). Previously, these loans had to be netted against SR&ED costs, now they don't; effective for any loans received after Jan 1, 2020.

RDP Service Offering



- **Full SR&ED service package** includes assisting with any **CRA review**
- **Innovation Connection Program (ICP)** – implements a system to identify and track SR&ED work and costs
- **Grant writing for our SR&ED clients**; grants for R&D; hiring/training; export and business expansion
- Operate in **Canada, UK, Ireland, Netherlands** and **Germany** (have partners in most other European countries)

Easy SR&ED Financing

Simple, Predictable, Flexible
Working Capital



Easy – Who We Are

Easy specializes in **Tax Credit Financing.**

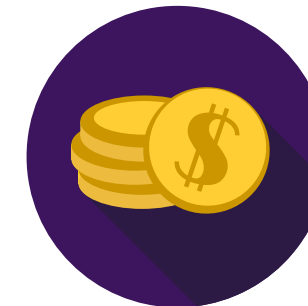
Easy Advances are a **Simple, Predictable, Flexible** alternative to traditional funding.



\$300M +
Capital
Deployed



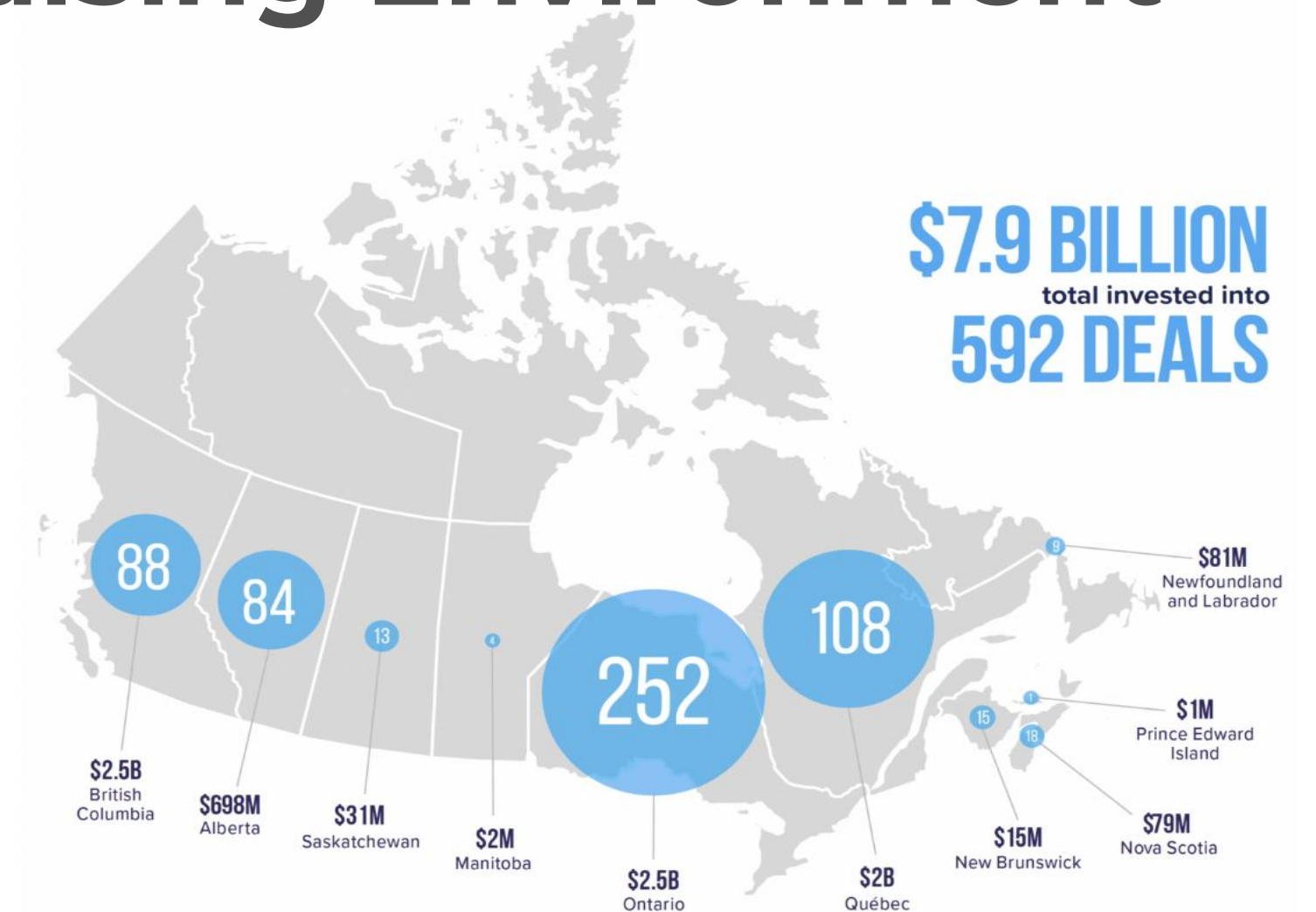
500+
Companies
Supported



1000+
Advances
Issued

Current Market + Fundraising Environment

- Tariff implications
- Tax Policy Changes
- Changes in government
- Banks are looking for revenue, increased due diligence
Non-bank lenders - BDC reduction in funding deep-tech teams, BDC is doubling down on later-stage financing. Less venture capital available – seed stage investment in 2024 was down, 2025 likely to decrease more
- Longer fundraising timelines
- Extending runway is critical



Easy – What We Do

- Investment Tax Credits (ITCs), such as SR&ED credits, **accrue year-round** as companies spend on eligible work. Easy Advances allow them to **access those ITC refunds during the year.**
- Provides **frequent, on-demand cash flow.** Receive government funding **on the company's schedule**, not the Government's.
- Leverage your Government funding to **boost ITC refunds** and **secure larger grants.**
- Private sector and Government **working together** to support nationwide innovation.



Why Companies Choose Easily

1. **No monthly servicing** of debt
 - Repayment comes directly from the ITC refund
2. Easy and **straight forward process**
3. **Transparent** terms & costs
4. **No personal guarantees**
5. **Competitive cost** structure
6. Receive **your** Government **funding** on **your schedule**



We call this type of ITC financing
Easily Advances > Smart Debt that
is **founder-friendly**

A Typical Easy Client

- Company has **launched**, **employees** are onboard, moving from **Seed to Series A**.
- Regular **burn rate** and looking to **extend runway**.
- Using or planning to use **Government incentives**.
- **\$130,000** or more in annual **SR&ED refund**.
- Wants to **minimize time** spent on financing.
- Likes **predictable cashflow** every quarter.



Client Use Cases

1. **Bridge Financing** – Extending runway

- Bridging cash flow gaps to fund opex and maintain momentum

2. **Smoothing Cash Flow** – Strategic budgeting

- Release cash flow tension by adding a buffer to bank accounts

3. **Tactical** – Focused spending

- Fund targeted growth strategies with minimal effort

4. **Capital Stack Optimization** – Focus on cost of capital

- Layer non-dilutive capital with founder-friendly terms into the capital stack

5. **M&A Support** – Facilitating a smooth exit

- Access capital that doesn't alter the preference stack

6. **R&D Spending** – Investing more in eligible expenditures

- Fund more eligible R&D to accelerate speed to market and increase tax credit refund

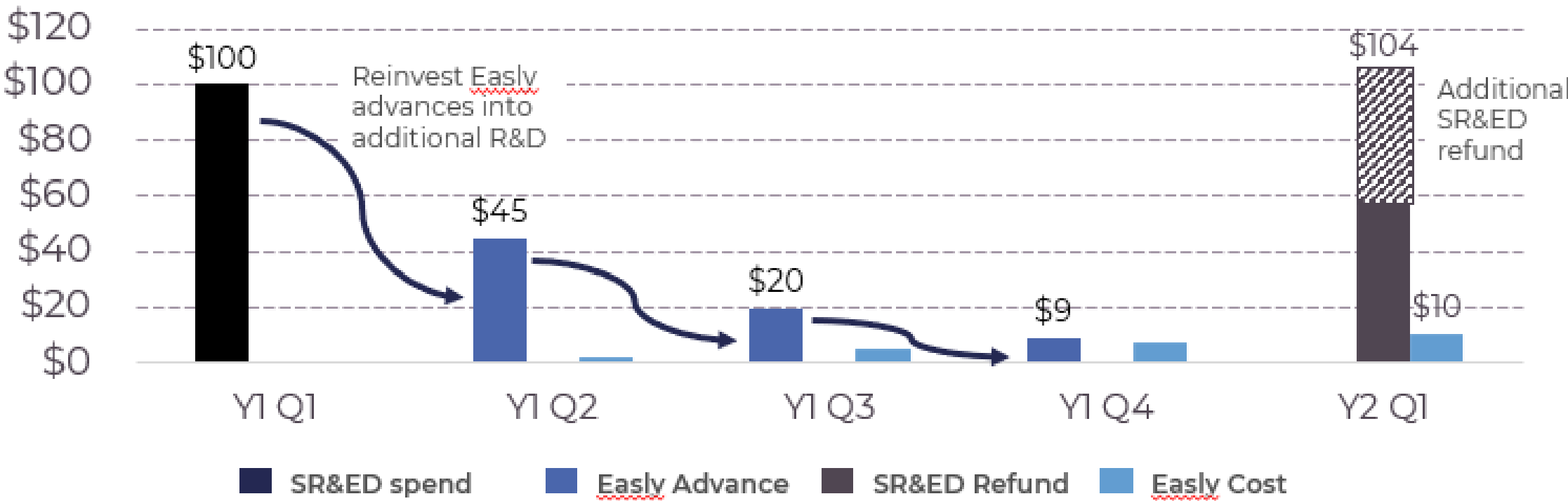


Reinvestment Model

Status Quo



Easly Client



Assumptions

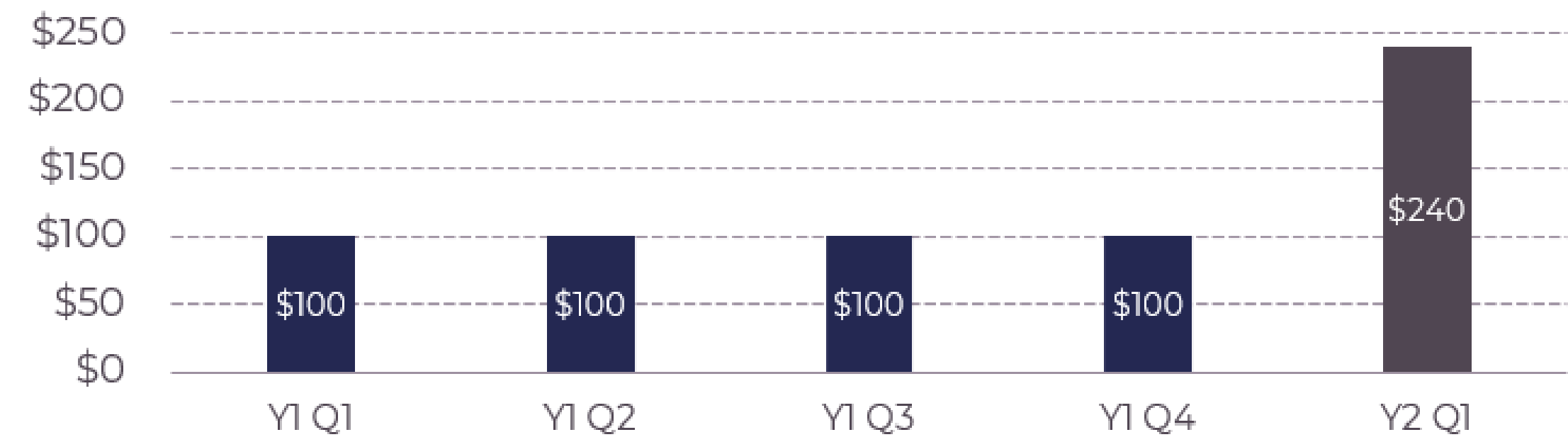
1. Client has \$100 of SR&ED eligible expenditure in Y1 Q1.
2. Client has an effective refund rate of 60% of SR&ED eligible expenditures.
3. Client would receive the refund at the end of Y2 Q1.

Conclusions

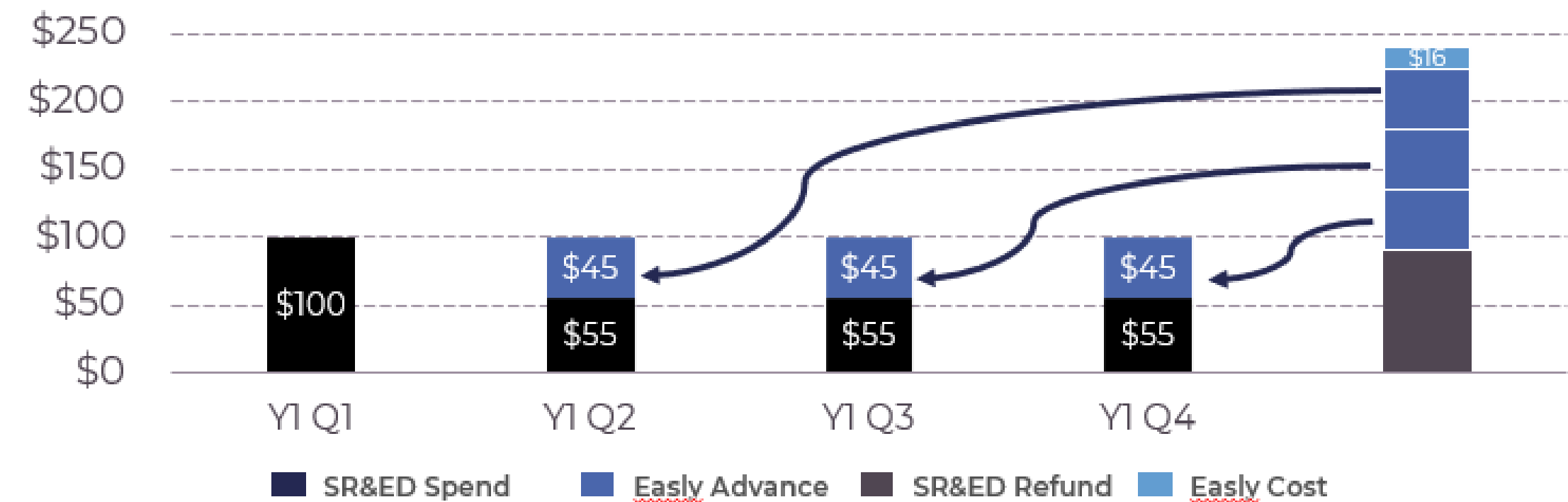
1. Client increases R&D spend by \$74.
2. Cost for the additional \$74 is \$10 which is paid out of the refund (10% of refund)
3. By reinvesting the \$74 back into R&D, Client increases SR&ED refund by \$44.

Budgeting Model

Status Quo



Easly Client



Assumptions

1. Client spends \$100 on SR&ED eligible activities every quarter in Y1.
2. Client an effective refund rate of 60% of SR&ED eligible expenditures.
3. Client would receive the refund at the end of Y2 Q1.

Conclusions

1. Client only needs \$265 in order to spend \$400 on R&D in Y1.
2. Easly advances the SR&ED refund to cover the additional \$135.
3. Client's cost is \$16 and comes out of the refund (7% of refund).

Customer Testimonials



***“Easly’s not scared of startups.** You can’t pick between keeping day-to-day operations going or buying inventory – you need to do both. Easly enabled us to continue operations and set our sights firmly on global markets.”*

- Carlyn Loncaric, Founder & CEO, VodaSafe



*“Easly gives us financial options at a rate and frequency that small technology companies absolutely need. **I appreciate the online process a lot – being able to just upload financial documents is really convenient.**”*

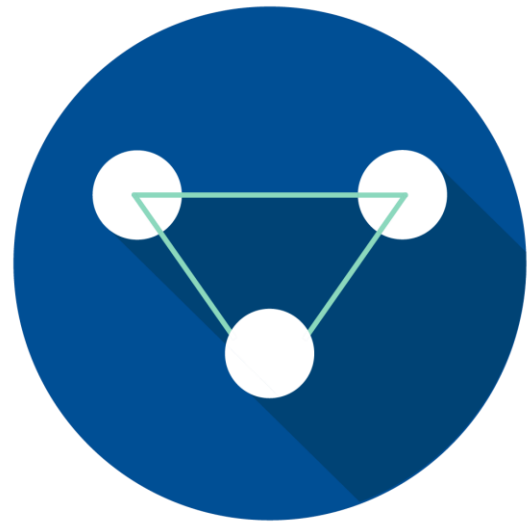
- Dominique Kwong, COO & CoFounder, Damon Motorcycles



*“Working with Easly was a very easy decision for us because of their **responsiveness, turnaround time, terms of financing and reasonable cost of capital.** Most importantly, they understood us and were responsive to our needs.”*

- Lennie Ryer, CFO, Reaction Dynamics

Getting Started



1) Connect

Connect with me or one of our team members and schedule a call



2) Apply

Complete application form and upload documents



3) Get Funded

Easily's team will walk you through each process in order to obtain funding

Pricing:

- Minimum \$100K facility
- 75% loan to value of accrued SRED refund (accrued or filed)
- 1.25% p.m or 15% per annum paid at maturity
 - min. 3-month interest
 - Interest compounded monthly
- 2% fee on initial draw and 2% fee on subsequent draws



Thanks for listening!!
Any Questions?



Nirajit Ajai
(647)-676-9544

najai@rdpassociates.com

Samara Chandran
(647) 775-0753

schandran@fundeasily.com