Tax and Revenue Administration (TRA)

Alberta Corporate Income Tax Act
Information Circular SRED-1R2
Alberta Scientific Research and Experimental Development (SR&ED) Tax Credit

Last updated: February 18, 2015

NOTE: This information circular is intended to explain legislation and provide specific information. Every effort has been made to ensure the contents are accurate. However, if a discrepancy should occur in interpretation between this information circular and governing legislation, the legislation takes precedence.

Alberta Scientific Research and Experimental Development (SR&ED) Tax Credit

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TAX AND REVENUE ADMINISTRATION
9811 - 109 STREET, EDMONTON AB T5K 2L5

- Email: TRA.Revenue@gov.ab.ca
- Website: tra.alberta.ca
- Phone: 780-427-3044
- Fax: 780-427-0348

Note: for toll-free service in Alberta, call 310-0000, then enter the number.

See also: related SR&ED Guide and the following forms:

- AT190, AT1 Schedule 9 – Scientific Research and Experimental Development (SR&ED) Tax Credit
- AT192, AT1 Schedule 9 – Supplemental
- AT4960 – Listing of SR&ED Projects Claimed in Alberta

Overview of the Alberta SR&ED Tax Credit

1. The Alberta SR&ED tax credit program provides a refundable tax credit to qualified corporations that incur eligible expenditures in respect of SR&ED activities carried out in Alberta after December 31, 2008. Expenditures by a partnership, trust, or individual are not eligible for this program. In Alberta legislation, SR&ED has the same meaning as it does in the *Income Tax Act* (Canada).

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Qualified Corporation

2. A qualified corporation is one that:

   - has a permanent establishment in Alberta at any time during a taxation year, and

   - carries on SR&ED activities in Alberta during that taxation year,

   but does not include a corporation that is exempt from tax in the taxation year under the *Alberta Corporate Tax Act* (the Act), unless the corporation is a prescribed corporation under the Regulations to the Act.

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Alberta SR&ED Tax Credit

3. A qualified corporation is entitled to an Alberta SR&ED tax credit equal to 10 per cent of the lesser of:

   - the corporation’s eligible expenditures for the taxation year, and

   - the corporation’s maximum expenditure limit for the taxation year.

4. Refer to paragraphs 11-13 below for the maximum expenditure limit calculation for a qualified corporation. For the applicable maximum expenditure limit calculation for the qualified corporation associated with one or more qualified corporations see paragraphs 14-18. For the taxation years ending on or before March 31, 2012 (but for SR&ED activities carried out in Alberta after 2008), if the corporation deducted an amount in respect of the federal investment tax credit for SR&ED in the immediately preceding year, the corporation must repay a portion of the Alberta SR&ED tax credit equal to 10 per cent of the amount H (called the "Grind"). See paragraph 19 for the calculation of the Grind.

5. A qualified corporation may deduct from its tax payable for the year the lesser of:

- the corporation's Alberta SR&ED tax credit for the year, and
- the corporation's tax otherwise payable for the year.

6. The effective date for any amount of the Alberta SR&ED tax credit used to reduce the qualified corporation's tax payable is the date on which the corporation's balance of tax is due for the taxation year.

7. Any remaining Alberta SR&ED tax credit will be applied by Alberta Treasury Board and Finance, Tax and Revenue Administration (TRA) to reduce any interest or penalties owing by the qualified corporation for the year or any tax, interest or penalties for any other taxation year, or may be applied to any other amount owing by the corporation to the Alberta government. Where an amount of the Alberta SR&ED tax credit still remains, it will be paid to the qualified corporation. The effective date of the payment or the application of the credit is the later of the balance-due day and the date the qualified corporation's claim for the Alberta SR&ED tax credit was received by TRA.

8. Refund interest associated with the payment or the application of the credit as mentioned in paragraph 7 is calculated starting from the later of the following:

- the date the overpayment arose, which will be the later of the date the Alberta SR&ED tax credit claim is filed and the date the Alberta corporate income tax return is filed, and
- the corporation's balance-due day.

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Eligible Expenditures of a Qualified Corporation

9. A qualified corporation's eligible SR&ED expenditures for Alberta purposes for a taxation year are calculated using the following formula:
$A – B + C + D + E$.

- A is the amount included in the qualified corporation's federal SR&ED qualified expenditure pool at the end of the taxation year for the federal SR&ED investment tax credit which is in respect of SR&ED activities carried out in Alberta after 2008. A is the Alberta portion of the amount on line 559 of the federal form T661 and any references to the federal qualified SR&ED expenditures refer to the amounts included on line 559 of federal form T661.

- B is the costs, if any, included in the amount determined in A for a prescribed proxy amount included in the federal qualified SR&ED expenditures of the qualified corporation.

- C is the qualified corporation's Alberta proxy amount, if any, for the taxation year. There will be an amount C only if there is a prescribed proxy amount included in the federal qualified SR&ED expenditures. The Alberta proxy rate parallels the federal prescribed proxy rate that may be claimed for overhead expenses and is based on the same salaries and wages used in the federal calculation, which are limited to SR&ED activities carried out in Alberta. The Alberta proxy amount is subject to the same limits as the federal prescribed proxy amount, which is the total of the following:

    - 65 per cent of applicable salaries and wages for the proportion of the number of days in the taxation year that were before 2013 to the total number of days in the taxation year.

    - 60 per cent of applicable salaries and wages for the proportion of the number of days in the taxation year in 2013 to the total number of days in the taxation year.

    - 55 per cent of applicable salaries and wages for the proportion of the number of days in the taxation year after 2013 to the total number of days in the taxation year.

- D is the amount of any Alberta SR&ED tax credit that reduced the federal qualified SR&ED expenditures of the qualified corporation in the taxation year.

- E is the amount of any repayment of either government assistance (other than the Alberta SR&ED tax credit) or contract payment in the taxation year that can reasonably be considered to relate to amounts included in A above in the taxation year or any prior taxation year.

10. For taxation years ending on or before March 31, 2012, where the Grind (see paragraph 19 and the SR&ED guide for more information) exceeds the amount calculated under the formula set out in paragraph 9, the excess amount is payable on or before the corporation's balance-due day for the taxation year.

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Maximum Expenditure Limit

11. A qualified corporation has a $4 million maximum expenditure limit for any taxation year of 365 days (or 366 days if the taxation year includes February 29) that begins after December 31, 2008.

12. If a qualified corporation's taxation year beginning after December 31, 2008 is less than 365 days (or 366 days if it includes February 29), the $4 million maximum expenditure limit is multiplied by the ratio that the number of days in the taxation year is of 365 (or 366 days if it includes February 29).

13. If the taxation year of a qualified corporation straddles January 1, 2009, the $4 million maximum expenditure limit is multiplied by the ratio that the number of days in the 2009 taxation year that are after December 31, 2008 is of 365.

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Maximum Expenditure Limit – Associated Corporations

14. Associated qualified corporations must share the $4 million maximum expenditure limit. For the Alberta SR&ED tax credit only corporations claiming the Alberta SR&ED tax credit in the taxation year ending in the same calendar year are associated.

15. The maximum expenditure limit allocated to an associated corporation cannot exceed the proportion of $4 million that the number of days in the corporation's taxation year is to 365 or 366, if the taxation year includes February 29.

16. If an associated corporation has a taxation year that straddles January 1, 2009, the maximum expenditure limit cannot exceed the proportion of $4 million that the number of days in the 2009 taxation year that are after December 31, 2008 of 365.

17. TRA will allocate the maximum expenditure limit according to a filed agreement in prescribed form. The maximum expenditure limit is the lesser of:

    - $4 million, and

    - the proportion of $4 million that the number of days in the taxation year of the qualified corporation with the longest taxation year is to 365, or 366 if the taxation year includes February 29.

    Where the taxation year of one of the associated corporations straddles January 1, 2009, the allocation of the maximum expenditure limit is based on the proportion of $4 million that the corporation with the largest number of days that are after December 31, 2008 in its 2009 taxation year has of 365.

18. If two or more qualified corporations associated for the Alberta SR&ED tax credit do not file an agreement with TRA within 60 days after being asked to do so by TRA, TRA will determine the appropriate allocation of the maximum expenditure limit to one or more of the corporations.

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The Grind Formula

19. The "Grind' is an amount calculated in respect of the federal investment tax credits for SR&ED activities carried out in Alberta that were received by a corporation in the prior year. For taxation years ending on or before March 31, 2012 (but for SR&ED activities carried out in Alberta after 2008), the corporation must repay a portion of the Alberta SR&ED tax credit based on 10 per cent of the Grind.

    To calculate the Grind, complete form AT192, SR&ED Tax Credit form AT1 Schedule 9 Supplemental. (See the SR&ED guide for more information.)

    The Grind (the amount H) for a taxation year is the product of the formula

    H = (P + Q) x Y/Z

    where

    P is the product of the formula R x 35%,

    Q is the product of the formula S x 20%,

    R is the lesser of T and U,

    S is the lesser of V and W,

    T is the lesser of:

    i. the amount of eligible expenditures for the immediately preceding taxation year less the amount of the Alberta SR&ED tax credit for that year (before any reduction relating to the Grind for that year), and

    ii. the amount of the maximum expenditure limit for the immediately preceding taxation year less the amount of the Alberta SR&ED tax credit for that year (before any reduction relating to the Grind for that year),

    U is the product of the federal expenditure limit of the corporation or allocated to the corporation for the immediately preceding year and the ratio of eligible expenditures for the immediately preceding year less the Alberta SR&ED tax credit for that year (before any reduction relating to the Grind for that year) to federal expenditures of the corporation for the immediately preceding taxation year,

V is the greater of:

i. the amount of eligible expenditures for the immediately preceding taxation year less

   a. the amount of the Alberta SR&ED tax credit for that year (before any reduction in respect of the Grind), and

   b. U,

and

ii. zero,

W is the greater of:

i. the amount of the maximum expenditure limit for the immediately preceding taxation year less

   a. the amount of the Alberta SR&ED tax credit for that year (before any reduction in respect of the Grind), and

   b. U,

and

ii. zero,

Y is the amount of federal SR&ED investment tax credits for the immediately preceding year that were deducted, or deemed to be deducted, from federal taxes payable for that year, and

Z is the aggregate of the federal SR&ED investment tax credits for the immediately preceding taxation year.

Where a qualified corporation has deducted federal SR&ED investment tax credits from more than one taxation year in the immediately preceding taxation year, a separate calculation of H is required for each particular taxation year. For each separate calculation of H:

- other than the amount of Y, a reference to the amount of eligible expenditures, Alberta SR&ED tax credit, maximum expenditure limit, federal expenditure limit as determined by subsection 127(10.2) and (10.3) of the Income Tax Act (Canada), and federal SR&ED investment tax credits is a reference to that amount for the particular year, and

- Y is the amount of federal SR&ED investment tax credits for the particular year that was applied to reduce federal taxes in the immediately preceding taxation year.

When separate calculations of H are required, the Grind is the total of all the calculations of H.

Filing Deadline for Claiming the Alberta SR&ED Tax Credit

20. A corporation is not entitled to an Alberta SR&ED tax credit unless TRA has **received** its claim for the Alberta SR&ED tax credit on or before the day that is 15 months after the corporation's filing due date of the corporate income tax return for the year. The completed form and listing of SR&ED projects claimed in Alberta can be mailed, couriered, or hand delivered to TRA at the address below.

TAX AND REVENUE ADMINISTRATION
TREASURY BOARD AND FINANCE
9811 109 ST
EDMONTON AB T5K 2L5

21. No new eligible expenditures are to be added to an Alberta SR&ED tax credit claim after the deadline for filing the claim. The *Income Tax Act* (Canada) deems expenditures not to be SR&ED expenditures if they were not included in the SR&ED claim when the federal filing deadline expired. Such expenditures would not be included in the federal qualifying expenditure pool (as discussed in paragraph 9) and so could not be included in Alberta eligible SR&ED expenditures. See also paragraph 32 and paragraph 33.

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Determination of the Alberta SR&ED Tax Credit

22. TRA will determine the amount of a qualified corporation's Alberta SR&ED tax credit after the later of:

- the date TRA receives the corporation's Alberta SR&ED tax credit claim in prescribed form, and
- the earlier of the date TRA receives:
  - confirmation from the Canada Revenue Agency (CRA) of the amount of qualified SR&ED expenditures for federal investment tax credit for the year, and
  - notice of the amount of qualified SR&ED expenditures for federal investment tax credit for the taxation year(s) that have been accepted by CRA.

23. Confirmation will generally be received directly from the CRA, but the corporation may also provide TRA with a copy of the relevant federal notice of assessment and all supporting documentation.

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Recapture on Sale or Conversion of Property

24. A qualified corporation must report the recapture of Alberta SR&ED tax credit and add back a recapture amount to the corporation's Alberta tax payable when a property that has received the tax credit is sold or converted to commercial use. This recapture is calculated for the following circumstances:

- the property was acquired by the corporation and the property's cost was included in its eligible expenditures after December 31, 2008. The recapture calculation is explained in paragraph 25 as Situation 1;

- the property was acquired by the corporation under an agreement to transfer qualified expenditures to a transferee corporation and the property's cost was included in its eligible expenditures after December 31, 2008. An example of the recapture calculation is provided in paragraph 26 as Situation 2; or

- the property was acquired by the corporation from an original user in a non-arm's-length transaction and the property's cost was included in the original user's eligible expenditures after December 31, 2008. The recapture calculation is explained in paragraph 27 as Situation 3.

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25. Situation 1

A qualified corporation that has acquired a property after December 31, 2008 from a person or a partnership, and the cost or a portion of the cost of the property was an amount:

- included in the eligible expenditures of the corporation at the end of any year that ends after December 31, 2008, or

- included in the eligible expenditures of the corporation at the end of any year that ends after December 31, 2008, even if the cost of the property was unpaid after 180 days from the end of the taxation year,

and within 20 years after December 31, 2008:

- the corporation converts the property to commercial use,

- the corporation disposes of the property without having previously converted the property to commercial use, or

- the corporation disposes of, or converts to commercial use, another property which incorporates the property.

In this situation, an amount must be added to the corporation's tax payable. The amount to be added is the lesser of:

a. the amount that can reasonably be considered to have been received by the corporation as an Alberta SR&ED tax credit for the property, or that would have been received even if the property was unpaid after 180 days from the end of the taxation year. The amount is calculated using the formula:

   10% x A x B, where:

   - A is the amount included in the corporation's eligible expenditures for the cost of the property in the year the property was acquired, and

   - B is the ratio of the corporation's maximum expenditure limit for the taxation year in which the property was acquired to the <u>greater</u> of the maximum expenditure limit or eligible expenditures of the corporation for that year,

   Or

b. 10% x B x C, where:

   B is the same ratio calculated in a. above, and

   C is:

   - in the case where the property, or another property that includes the property, is **disposed of to a person that deals at arm's-length** with the corporation:

     - the proceeds of disposition of the property if the property is neither first-term shared-use equipment nor second-term shared-use equipment, or the other property;

     - where the property is first-term shared-use equipment (as defined federally): 25 per cent of the proceeds of disposition of the property; and

     - where the property is second-term shared-use equipment (as defined federally): 50 per cent of the proceeds of disposition of the property;

   and

   - in the case where the property, or another property that includes the property, is converted to commercial use or **disposed of to a person that does not deal at arm's-length** with the corporation:

     - the fair market value of the property at the time of its conversion or disposition if the property is neither first-term shared-use equipment nor second-term shared-use equipment, or the other property;

- where the property is first-term shared-use equipment: 25 per cent of the fair market value of the property at the time of its conversion or disposition; and

- where the property is second-term shared-use equipment: 50 per cent of the fair market value of the property at the time of its conversion or disposition.

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Example 1

Facts:

SR&ED property sold at arm's-length
Acquired 2009
Sold in 2010

Cost	$100,000
Disposition proceeds	20,000
2009 eligible expenditures	5,000,000
2009 maximum expenditure limit	4,000,000

Solution:

Lesser of:

1) $10\% \times 100{,}000 \times \frac{4{,}000{,}000}{5{,}000{,}000} = 8{,}000$

or

2) $10\% \times \frac{4{,}000{,}000}{5{,}000{,}000} \times 20{,}000 = 1{,}600$

Amount to be added to the corporation's tax payable in 2010 is $1,600.

Example 2

Facts:

SR&ED property not sold at arm's-length	
Acquired 2009	
Sold in 2010	
Cost	$100,000
Disposition proceeds	20,000
Fair market value	50,000
2009 eligible expenditures	5,000,000
2009 maximum expenditure limit	4,000,000

Solution:

Lesser of:

1) $10\% \times 100{,}000 \times \frac{4{,}000{,}000}{5{,}000{,}000} = 8{,}000$

or

2) $10\% \times \frac{4{,}000{,}000}{5{,}000{,}000} \times 50{,}000 = 4{,}000$

Amount to be added to the corporation's tax payable in 2010 is $4,000.

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26. ***Situation 2***

A qualified corporation that has acquired a property after December 31, 2008 from a person or a partnership and

- the cost or a portion of the cost of the property was an amount included in the eligible expenditures of the corporation at the end of any year that ends after December 31, 2008,
- all or part of the cost of the property was the subject of an agreement to transfer qualified expenditures to another corporation (the transferee),

and within 20 years after December 31, 2008, the qualified corporation:

- converts the property to commercial use,
- disposes of the property without having previously converted the property to commercial use, or
- disposes of, or converts to commercial use, another property which incorporates the property

an amount must be added to the corporation's tax payable. The amount to be added is the lesser of:

a. the amount that can reasonably be considered to have been received as an Alberta SR&ED tax credit for the property by the transferee. The amount is calculated using the formula:

   10% x A x B where:

   - A is the amount included in the transferee's eligible expenditures for the cost of the property in the year the property was acquired, and

   - B is the ratio of the transferee's maximum expenditure limit for the taxation year in which the property was acquired to the **greater** of the maximum expenditure limit or eligible expenditures of the transferee for that year,

or

b. the amount determined by the formula:

   B x (10% x C – D) where:

   B is the ratio calculated in a. above,

   C is:

   - the proceeds of disposition of the property where the particular property, or a property that incorporates the particular property, is disposed of to a person who deals at arm's-length with the corporation, or

   - in any other case, the fair market value of the property at the time of conversion or disposition.

D is the amount, if any, added to the corporation's tax payable under situation 1 for the particular property.

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Example 1

Facts:

SR&ED property sold at arm's-length

Acquired in 2010 by transferor corporation. Eligible expenditures transferred to transferee corporation in 2010 and property sold in 2011 by transferor corporation. Assume no amount has been added to the transferor corporation under situation 1.

Transferor's cost in 2010	$50,000
Amount included in transferee's eligible expenditures in 2010	50,000
Transferee's 2010 eligible expenditures	10,000,000
Transferee's 2010 maximum expenditure limit	4,000,000
2011 transferor's arm's-length sales proceeds	30,000

Solution:

<u>Lesser of:</u>

1) $10\% \times 50{,}000 \times \dfrac{4{,}000{,}000}{10{,}000{,}000} = 2{,}000$

or

2) $\dfrac{4{,}000{,}000}{10{,}000{,}000} \times (10\% \times 30{,}000 – 0) = 1{,}200$

Amount to be added to the transferor's tax payable in 2011 is $1,200.

Example 2

Facts:

SR&ED property sold non-arm's-length by transferor corporation
Acquired 2010 by transferor corporation. Expenditures transferred to transferee corporation in 2010 and sold by transferor in 2011.

Transferor's cost in 2010	50,000
Amount included in transferee's eligible expenditures in 2010	50,000
Transferee's 2010 eligible expenditures	10,000,000
Transferee's 2010 maximum expenditure limit	4,000,000
Transferor's 2011 non-arm's-length sales proceeds	5,000
Fair market value of property	10,000

Solution:

Lesser of:

1) $10\% \times 50{,}000 \times \frac{4{,}000{,}000}{10{,}000{,}000} = 2{,}000$

or

2) $\frac{4{,}000{,}000}{10{,}000{,}000} \times (10\% \times 10{,}000 - 0) = 400$

Amount to be added to the transferor's tax payable in 2011 is $400.

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27. *Situation 3*

If a qualified corporation (the purchaser) acquires an SR&ED property, or another property that incorporates the SR&ED property, after December 31, 2008, from an original user who included the cost or a portion of the cost of the SR&ED property in its eligible expenditures at the end of any year within 20 years after December 31, 2008, and the purchaser does not deal at arm's-length with the original user, then the purchaser must report an amount as recapture when the property is sold or converted to commercial use. The recaptured amount must be added to the purchaser's tax payable for the year.
The amount to be reported is the lesser of:

a. The amount that can reasonably be considered to have been received by the original user as an Alberta SR&ED tax credit for the property. That amount is calculated using the formula 10% x A x B where:

    - A is the amount included in the original user's eligible expenditures for the cost of the property in the year the property was acquired, and

    - B is the ratio of the original user's maximum expenditure limit for the taxation year in which the property was acquired to the **greater** of the maximum expenditure limit or eligible expenditures of the original user for that year,

or

b. 10% x B x C where B is the ratio calculated in a. above

    C is:

    - the proceeds of disposition of a property, if the property or other property is disposed of to a person who deals at arm's-length with the purchaser, and

- in any other case, the fair market value of the property or the other property at the time of conversion or disposition.

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Example 1

Facts:

SR&ED property sold at arm's-length by the purchaser corporation

Acquired in 2009 by original user corporation. Transferred to purchaser corporation in 2010 and sold in 2011 by purchaser corporation

Original user's cost in 2009	$50,000
Amount included in original user's eligible expenditures in 2009	50,000
Original user's 2009 eligible expenditures	10,000,000
Original user's 2009 maximum expenditure limit	4,000,000
Purchaser's 2011 arm's-length sales proceeds	40,000
Fair market value of property	50,000

Solution:

Lesser of:

1) $10\% \times 50{,}000 \times \frac{4{,}000{,}000}{10{,}000{,}000} = 2{,}000$

or

2) $\frac{4{,}000{,}000}{10{,}000{,}000} \times 10\% \times 40{,}000 = 1{,}600$

Amount to be added to the purchaser's tax payable in 2011 is $1,600.

Example 2

Facts:

SR&ED property sold non-arm's-length by purchaser corporation

Acquired 2009 by original user corporation. Transferred to purchaser corporation in 2010 and sold in 2011.

Original user's cost in 2009	$50,000
Amount included in original user's eligible expenditures in 2009	50,000
Original user's 2009 eligible expenditures	5,000,000
Original user's 2009 maximum expenditure limit	4,000,000
Purchaser's 2011 non-arm's-length sales proceeds	5,000
Fair market value of property	10,000

Solution:

Lesser of:

1) $10\% \times 50{,}000 \times \frac{4{,}000{,}000}{5{,}000{,}000} = 4{,}000$

or

2) $\frac{4{,}000{,}000}{5{,}000{,}000} \times 10\% \times 10{,}000 = 800$

Amount to be added to the purchaser corporation's tax payable in 2011 is $800.

28. When an SR&ED property, or a property that incorporates the SR&ED property, ceases to be located in Alberta the property is regarded as having been disposed of at arm's-length by the corporation and the proceeds of disposition are considered to be at fair market value.

29. If the property subject to recapture was included in eligible expenditures in more than one year, a calculation of the amount from the formula 10 % x A x B discussed in situations 1, 2 or 3 must be made for each year. The amount that can reasonably be considered to have been included in a corporation's SR&ED tax credit is the total of the calculated amount from each year.

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Late-Filed Returns

30. A corporation whose return is late-filed is subject to a late-filing penalty equal to the total of the sum of five per cent of the net amount of:

- the tax unpaid when the return was required to be filed,

less:

- the Alberta SR&ED tax credit to which the corporation is entitled for the year, plus one per cent of the net amount above multiplied by the number of complete months, not exceeding 12, in the period between the date the return was required to be filed and the date the return was filed or an assessment was issued.

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Exemption from Filing an Alberta Return

31. A corporation claiming an Alberta SR&ED tax credit must file an Alberta corporate tax return with TRA, even if the corporation would otherwise be exempt from filing an Alberta return.

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Deeming of Federal Amounts

32. In determining the Alberta-eligible expenditures for a year, a qualified corporation is bound by any federal determination of amounts included in or excluded from the federal qualified SR&ED expenditure pool at the end of the taxation year.

33. A qualified corporation must use the federal dispute resolution process to challenge the inclusion or exclusion of amounts in the federal qualified SR&ED expenditure pool. Alberta will accept the ultimate federal resolution of any dispute.

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Objections and Appeals

34. Except as noted in the next paragraph, qualified corporations can object provincially to the calculation of the Alberta SR&ED tax credit. Issues on which an Alberta objection can be filed are whether expenditures are in respect of SR&ED activities carried out in Alberta after December 31, 2008; how the association rules apply for calculating the maximum expenditure limit; and the amount of recapture for Alberta purposes.

35. Whether an SR&ED expenditure is a qualified expenditure for Alberta purposes rests solely with the federal assessment of the federal qualified SR&ED expenditure pool. A qualified corporation cannot use the provincial process to object or appeal the eligibility of any amount not included in the federal qualified SR&ED expenditure pool.

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Reassessments of SR&ED Claims

36. There are different reassessment periods for corporate income tax payable and the Alberta SR&ED tax credit. Generally the normal reassessment period for a Canadian-controlled private corporation (CCPC) is three years from the date of mailing the notice of assessment for the taxation year. In all other cases the normal reassessment period is four years from the date of mailing the notice of assessment.

37. The normal reassessment period for the Alberta SR&ED tax credit is, for a CCPC, three years from the date of mailing the initial assessment in respect of the Alberta SR&ED tax credit for the year. In all other cases the normal reassessment period is four years from the date of mailing the first assessment in respect of the Alberta SR&ED tax credit for the year.

38. Because of the different normal reassessment periods, the first assessment of an SR&ED tax credit for a taxation year may be issued beyond the normal reassessment period for Alberta corporate income tax payable. Any subsequent reassessment or additional assessment of the Alberta SR&ED credit may be issued within the normal reassessment period for the Alberta SR&ED tax credit as noted in paragraph 37 above.

39. When CRA has (re)assessed the corporation's federal SR&ED claim TRA will generally be notified of the results of the federal (re)assessment. TRA may contact the corporation to determine whether the federal adjustment affects the Alberta SR&ED claim.

40. A corporation may file information with TRA beyond the reassessment period explained in paragraphs 36 to 38 if there is a federal reassessment of its SR&ED claim which affects the Alberta SR&ED tax credit. In these cases TRA may reassess the Alberta SR&ED tax credit not more than 12 months after the corporation files the information on the Alberta SR&ED tax credit with TRA.

41. TRA can reassess both the Alberta corporate income tax payable and the Alberta SR&ED tax credit at any time when the reassessment arises from the resolution of an objection or appeal. For general information on reassessments, see Information Circular CT-6, *Reassessments*.

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Audit of SR&ED Claims

42. TRA may audit claims for the Alberta SR&ED tax credit to determine expenditures that are in respect of SR&ED activities carried out in Alberta, the amount of recapture, and the application of association rules for calculating the maximum expenditure limit.

43. TRA relies on CRA's determination of eligibility of expenditures for an SR&ED activity.

Alberta SR&ED Anti-Avoidance Provisions

44. If TRA is satisfied that the separate existence of two or more qualified corporations is mainly to increase the amount of the Alberta SR&ED tax credit, TRA may deem the corporations to be associated with each other for the purposes of claiming the Alberta SR&ED tax credit.

45. If TRA is satisfied that a qualified corporation has at any time entered into one or more sales, exchanges, declarations of trust or other transactions that:

    - lack any substantial business purpose other than to increase the Alberta SR&ED tax credit for the corporation or any other corporation, or
    - artificially increase the Alberta SR&ED tax credit that may be claimed by the corporation or any other qualified corporation

    TRA may direct that all of the corporations are deemed to be associated for the purposes of the Alberta SR&ED tax credit.

46. Where a direction has been made by TRA for a taxation year, the direction does not apply to any previous taxation year of the qualified corporation. If TRA 's direction is revoked the direction does not apply to the taxation year of the qualified corporation to which the revocation relates or any subsequent taxation year of the qualified corporation.

47. If at any time after December 31, 2008, control of a qualified corporation is acquired by a person and TRA is satisfied that, as a result of the acquisition of control, the Alberta SR&ED tax credit entitled to by the corporation, or a group of corporations with which it is associated in a calendar year, has increased, TRA may determine the amount of the Alberta SR&ED tax credit to which the particular corporation, or any of the associated corporations, is entitled.

48. If at any time after December 31, 2008 a qualified corporation (the particular corporation), as a result of an amalgamation or otherwise, has:

    - a taxation year that ends before the time it would normally end, or
    - has two or more taxation years ending in the same calendar year

    TRA may determine the amount of the Alberta SR&ED tax credit to which:

    - the particular corporation,
    - any successor qualified corporation that results from the amalgamation of the particular corporation with another corporation, or
    - any qualified corporation associated in the calendar year with the particular corporation, is entitled.

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Contact Information and Useful Links

Contact Tax and Revenue Administration (TRA):	Email: TRA.Revenue@gov.ab.ca
Visit our website:	tra.alberta.ca
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TRA Client Self-Service (TRACS):	tra.alberta.ca/tracs