



Engineering the Future: Leveraging SR&ED to Scale in Ontario

For Ontario-based engineering firms, the **Scientific Research and Experimental Development (SR&ED)** program is the most powerful financial tool available to fuel growth. In 2026, recent federal enhancements have significantly increased the capital available to innovators, making it the ideal time to convert technical challenges into non-dilutive scaling capital.

1. Why SR&ED is a "Scale Engine" for Engineering

Scaling an engineering firm requires heavy upfront investment in talent, prototyping, and specialized equipment. SR&ED mitigates this risk by providing:

- **Massive Cash Injections:** Recover up to **64%** of eligible R&D wages.
- **Capital Support (New for 2026):** For the first time in over a decade, **capital expenditures** (lab equipment, specialized machinery, R&D tools) are again eligible for tax credits.
- **Extended Runway:** High-growth firms can now maintain the **35% enhanced refundable rate** longer, as phase-out thresholds have been raised to **\$75M** in taxable capital.
- **Global Competitiveness:** Reinvest refunds to bid on more complex, high-margin international contracts that require advanced proprietary technology.

2. 2026 Incentives: Ontario & Federal Snapshot

Engineering companies in Ontario benefit from "stacking" federal and provincial credits.

Incentive	2026 Rate	Type
Federal Enhanced ITC	35%	Refundable on the first \$6M of expenditures (increased from \$3M).
Ontario Innovation Tax Credit (OITC)	8%	Refundable for small-to-medium businesses.
Ontario R&D Tax Credit (ORDTC)	3.5%	Non-refundable; offsets Ontario provincial taxes.

3. What Qualifies in Engineering?

SR&ED isn't just for labs; it applies to "shop floor" and "field site" innovation.

- **Structural Engineering:** Developing novel seismic-resistant materials or unique load-bearing designs for irregular sites.
- **Mechanical & Manufacturing:** Designing proprietary automation robotics or improving thermal efficiency in industrial HVAC systems.
- **Environmental/CleanTech:** Novel carbon capture processes or advanced waste-to-energy conversion systems.
- **Materials Science:** Testing new alloys or composites to overcome failure points in extreme environments.