



Unlocking Scale: The Power of SR&ED for Ontario IT Firms

For Information Technology companies in Ontario, the **Scientific Research and Experimental Development (SR&ED)** program is more than a tax incentive, it is a strategic engine for scaling. As Canada's largest source of federal R&D support, it provides over **\$4 billion** annually to innovators.

For an IT firm, this means converting technical "roadblocks" into non-dilutive capital to extend runway, hire top-tier talent, and outpace global competitors.

1. How SR&ED Adds Value to Your IT Business

Unlike traditional grants, SR&ED is an entitlement. If you are solving complex technical problems, you likely qualify.

- **Boost Cash Flow:** Receive up to **64%** back on eligible R&D wages.
- **Non-Dilutive Funding:** Scale without giving up equity or taking on high-interest debt.
- **Risk Mitigation:** The government effectively co-invests in your most ambitious, "high-risk" projects, whether they succeed or fail.
- **Retain Talent:** Use refunds to subsidize the high cost of senior developers and specialized data scientists.

2. 2026 Incentives: Ontario & Federal Rates

Recent legislative updates have significantly increased the "ceiling" for growth, allowing companies to scale larger while retaining maximum benefits.

Incentive Type	Rate (for CCPCs*)	Details
Federal Enhanced ITC	35%	Refundable on the first \$6M (increased from \$3M) of eligible spend.
Ontario Innovation Tax Credit (OITC)	8%	Refundable; specifically for small to medium-sized businesses.
Ontario R&D Tax Credit (ORDTC)	3.5%	Non-refundable; helps offset Ontario provincial taxes payable.

Note: For a typical Ontario IT startup, every **\$100,000** spent on eligible R&D salaries can yield roughly **\$60,000+** in combined tax credits and refunds.

3. What Qualifies in IT?

In the software world, SR&ED isn't just for "white-coat" labs. It applies to:

- **Architectural Challenges:** Building highly scalable distributed systems or novel API integrations.
- **AI & Machine Learning:** Developing custom algorithms where existing libraries fall short.
- **Cybersecurity:** Creating new encryption methods or advanced threat detection protocols.
- **Performance Optimization:** Solving "latency" or "throughput" issues that require more than routine coding.