

Blockchain Development

Canadian Income Tax Incentives

Blockchain innovation work could fit into Canada's income tax incentive system for R&D activities. For every \$100 of Ontario salary related to eligible R&D activities, your company could be entitled to up to \$29 in tax credits or refunds. For small- and medium-sized Canadian controlled private companies, your company could be entitled to up to \$69 in tax credits or refunds.

In some cases, Québec, British Columbia, Alberta, New Brunswick, Nova Scotia, Newfoundland, Saskatchewan and Manitoba offer additional benefits for R&D activity.

Understanding the rules

The income tax incentives for innovation are part of the government's Scientific Research and Experimental Development (SR&ED) program.

Having a comprehensive knowledge of these incentives can help your company take advantage of the numerous tax benefits associated with carrying out innovative activities and help you become more competitive. The question is: Are you making the most of these opportunities?

Why Blockchain?

Blockchain, or distributed ledger technology (DLT), is an emerging digital technology that represents a foundational shift in record keeping. It is a way of ordering and verifying transactions in a distributed ledger, where a peer-to-peer network of computers maintains and validates a record of consensus of transactions with a cryptographic audit trail. Innovations behind the technology are occurring regularly.



Those innovations, should they occur in Canada, fit into the Canadian income tax incentives. Some examples are:

- 1. Platform development** – Developing blockchain platforms, and applications that integrate with blockchain platforms that provide a new feature or functionality, or improve existing functionality, performance, reliability, or quality.
- 2. Smart contracts** – Developing smart contracts to perform automation of digital contracts to facilitate, verify, or enforce the negotiation or performance of a contract.
- 3. Scalable and efficient application** – Designing and implementing blockchain applications and architecture that can manage individual processing nodes in a public blockchain or organizations in a sectorwide blockchain; additionally, designing and developing efficient blockchain networks to execute peer-to-peer transactions.
- 4. Network** – Developing the algorithms to manage user privacy and consensus in blockchain networks.
- 5. Big data projects, data warehousing and analytics** – Enabling the collection, efficient processing, and analysis of large volumes of data as it is distributed and secured through blockchain technology.
- 6. Regulation and governance** – Building blockchain applications that comply with the new and evolving regulations.
- 7. Security and privacy** – Enhancing the applications' security built on blockchain via numerous techniques to ensure data's privacy protection and security.

Helping your company benefit

KPMG can help your company benefit from the SR&ED tax incentives by helping you to:

- Identify the full range of your eligible SR&ED activities
- Prepare the required technical reports
- Structure entities and transactions to enhance future benefits
- Prepare the required tax forms to apply for the tax credits.

Our multidisciplinary team of tax incentive professionals has extensive experience in engineering, science, taxation and accounting, and focuses exclusively on helping companies enhance their tax incentive benefits. We have helped several Canadian organizations successfully make claims for these tax incentives.

Significant potential for tax savings

Many companies, both large and small, may not be aware of the substantial number of activities they may have undertaken that could be eligible for tax incentives. As a result, they tend to place a low priority on the tax incentives so that much of their potential for tax savings remains untapped.

Navigating the course

Our engineers, scientists and tax professionals will visit your facilities and meet with your technical, development and accounting staff. We can help identify, describe and document your eligible activities, and collect any other required information. We can then help to prepare the required forms and integrate the process with your corporate tax returns. We also help you support your claim if challenged by the government.

Unclaimed tax incentive benefits?

Are you certain that your company has identified and claimed all of your eligible tax incentive benefits for innovation? If not, we can assist in reviewing your claim and determine whether any further benefits are due to you.



The Organisation for Economic Co-operation and Development (OECD) has found that Canada's strong federal and provincial tax incentives for R&D activities make the after-tax cost of R&D in Canada one of the lowest in the world. Is your company realizing these savings?

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