

TimeControl[®] and R&D

Using TimeControl for R&D Tax Claims





Introductions

- ❑ HMS: Founded in 1984
- ❑ TimeControl released to market in 1994
- ❑ Partners with:
 - ❑ Microsoft since 1995
 - ❑ Oracle-Primavera since 1997
 - ❑ Deltek (Welcom) since 1985
 - ❑ InEight/HardDollar since 2012
 - ❑ VersionOne since 2015
 - ❑ BrightWork since 2017
 - ❑ ARES PRISM since 2019



R&D Tax Claims

- ❑ Provided by many governments around to world to:
 - ❑ Promote the location of R&D organizations in their jurisdictions
 - ❑ To provide incentives to employ research personnel in the jurisdiction
 - ❑ To provide incentive to do more innovative work that will ultimately benefit the jurisdiction



What is important in a new timesheet?

- Easier to use (for end user)
- Easier for administrators to manage
- Avoid more than one timesheet system
- Make the timesheet process more efficient
- More accurate or auditable data
- Finding any missing timesheets
- What to do with this data once you have it?
 - Satisfy government audits for R&D, DCAA, SOX...
 - Project costing
 - Pay people
 - Bill for our work
 - Track and manage all the time off for HR?

Research Credits in the USA



- ❑ The USA's Internal Revenue Service supports Research Credits of "Qualified Research Expenditures" (QREs).
- ❑ It requires that the claimant shows work allocated to eligible tasks at the subcomponent level.

Form 6765 (Rev. 12-2019) Page 2

Section C—Current Year Credit

35	Enter the portion of the credit from Form 8932, line 2, that is attributable to wages that were also used to figure the credit on line 17 or line 34 (whichever applies)	35	
36	Subtract line 35 from line 17 or line 34 (whichever applies). If zero or less, enter -0-	36	
37	Credit for increasing researches from partnerships, S corporations, estates, and trusts	37	
38	Add lines 36 and 37 • Estates and trusts, go to line 39. • Partnerships and S corporations not electing the payroll tax credit, stop here and report this amount on Schedule K. • Partnerships and S corporations electing the payroll tax credit, complete Section D and report on Schedule K the amount on this line reduced by the amount on line 44. • Eligible small businesses, stop here and report the credit on Form 3800, Part III, line 4i. See instructions for the definition of eligible small business. • Filers other than eligible small businesses, stop here and report the credit on Form 3800, Part III, line 1c. Note: Qualified small business filers, other than partnerships and S corporations, electing the payroll tax credit must complete Form 3800 before completing Section D.	38	
39	Amount allocated to beneficiaries of the estate or trust (see instructions)	39	
40	Estates and trusts, subtract line 39 from line 38. For eligible small businesses, report the credit on Form 3800, Part III, line 4i. See instructions. For filers other than eligible small businesses, report the credit on Form 3800, Part III, line 1c	40	

Section D—Qualified Small Business Payroll Tax Election and Payroll Tax Credit. Skip this section if the payroll tax election does not apply. See instructions.

41	Check this box if you are a qualified small business electing the payroll tax credit. See instructions <input type="checkbox"/>		
42	Enter the portion of line 36 elected as a payroll tax credit (do not enter more than \$250,000). See instructions	42	
43	General business credit carryforward from the current year (see instructions). Partnerships and S corporations, skip this line and go to line 44	43	
44	Partnerships and S corporations, enter the smaller of line 36 or line 42. All others, enter the smallest of line 36, line 42, or line 43. Enter here and on the applicable line of Form 8974, Part 1, column (e). Members of controlled groups or businesses under common control, see instructions for the statement that must be attached	44	

Form 6765 (Rev. 12-2019)

“TimeControl was accepted by the Internal Revenue Service as providing excellent documentation of R&D engineering activities when applying for R&D Tax Credits”

Paulette L. Bennett
Division Controller
Parker Hannifin

SRED Tax credits in Canada



- ❑ Canada's Scientific Research and Experimental Development (SRED) tax credit program is a highly successful incentive managed by Revenue Canada.
- ❑ It mandates timesheet data to justify labor expenditures.

Canada Revenue Agency / Agence du revenu du Canada

Protected B when completed
Code 1901

Scientific Research and Experimental Development (SR&ED) Expenditures Claim

Use this form:

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

To claim an ITC, use either:

- Schedule T2SCH31, Investment Tax Credit – Corporations; or
- Form T2038(IND), Investment Tax Credit (Individuals).

The information requested in this form and documents supporting your expenditures and project information (Part 2) are prescribed information.

In Part 6, a new box is added: Box 758 that must be filled if traditional method is used. The information is required for tax year ends after 2020 and optional for tax year ends before 2021.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, Guide to Form T661, which is available on our website: canada.ca/taxes-sred.

Part 1 – General Information

010 Name of claimant		Enter one of the following:								
Tax year: From <table border="1"><tr><td>Year</td><td>Month</td><td>Day</td></tr></table> to <table border="1"><tr><td>Year</td><td>Month</td><td>Day</td></tr></table>		Year	Month	Day	Year	Month	Day	<table border="1"><tr><td>Business number (BN)</td></tr></table>		Business number (BN)
Year	Month	Day								
Year	Month	Day								
Business number (BN)										
050 Total number of projects you are claiming this tax year:		<table border="1"><tr><td>Social insurance number (SIN)</td></tr></table>		Social insurance number (SIN)						
Social insurance number (SIN)										
100 Contact person for the financial information	105 Telephone number/extension	110 Fax number								
115 Contact person for the technical information	120 Telephone number/extension	125 Fax number								

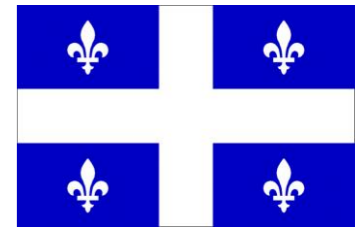
151 If this claim is filed for a partnership, was Form T5013 Partnership Information Return filed? Yes No

If you answered **no** to line 151, complete lines 153, 156 and 157.

153	Names of the partners	156 %	157 BN or SIN
1			
2			
3			
4			
5			

T661 E (20) (Ce formulaire est disponible en français.) Page 1 of 9 Canada

SRED Tax Credits in Quebec



- ❑ The Province of Quebec in Canada has an additional tax credit incentive which credits part of the amount not already credited by Canada.
- ❑ Eligible work must be done in Quebec by eligible workers and backed up by timesheets

A screenshot of the Quebec SRED tax credit form. The form is titled "Tax Credit for Salaries and Wages (R&D)" and is for corporations established in Quebec. It includes sections for "Qualified taxpayer" and "Important information". The "Qualified taxpayer" section explains that the form must be filed by any taxpayer that wants to claim the tax credit for salaries and wages (R&D) related to qualified expenditures. The "Important information" section lists several conditions for claiming the credit, such as being a qualified taxpayer, conducting R&D work in Quebec, and meeting specific conditions for partnerships. The form also includes a section for "1 Information about the taxpayer" with fields for Quebec enterprise number (NEQ), identification number, file number (IC 0001), social insurance number, name of taxpayer, and end date of the fiscal period. There are checkboxes for "Qualified corporation" and "Qualified individual".

“The timesheet data gathered for R&D tax credits is done by *TimeControl*. All it took to do this was to create codes for the projects so that the hours could be allocated to the right program.”

André Richard
Manager,
Project Management Office
EXFO

R&D in the EU, UK and Australia

- Research and Development tax credits are a part of many national and regional jurisdictions.
- The UK allows R&D tax credits as does Australia and most areas of the European Union



The Triangle Audit

R&D financial audits look at:

1. Payroll and HR Records

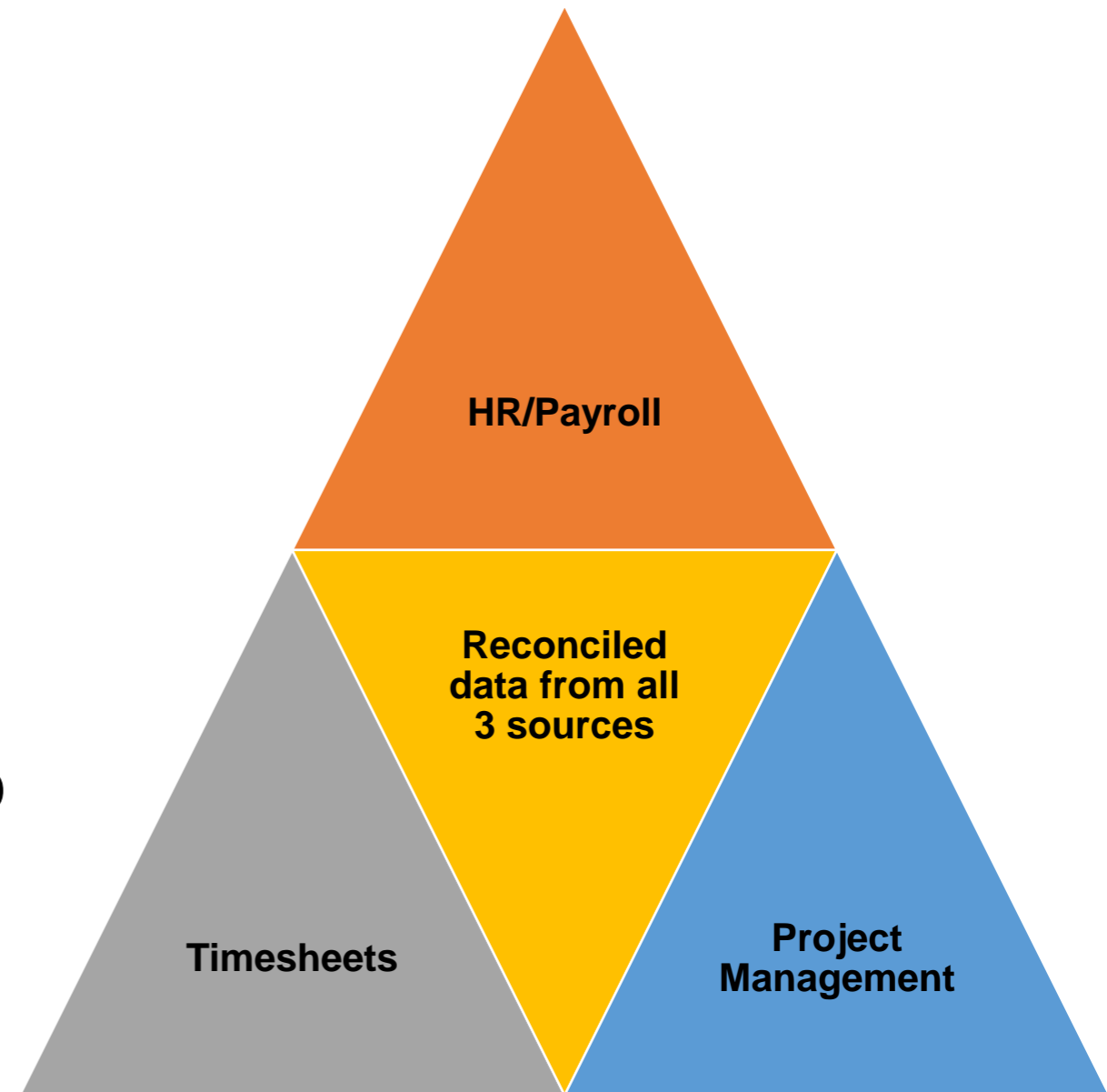
Were people paid the totals reported on the tax return?

2. Timesheets

Is time divided between eligible and ineligible data and does it match the R&D claim?

3. Project Management data

Does the project plan match the R&D claim and does the project progress match the timesheet data?





Basic R&D Tax Credit Rules

What qualifies for R&D tax credits? The rules differ by jurisdiction but there are some basic rules that are universal:

- The credit must be for eligible activities.
- The credit must be for work done in the jurisdiction by eligible workers
- The claimant must be able to document the work at the level detail required by the claimant



Successful R&D tax claims

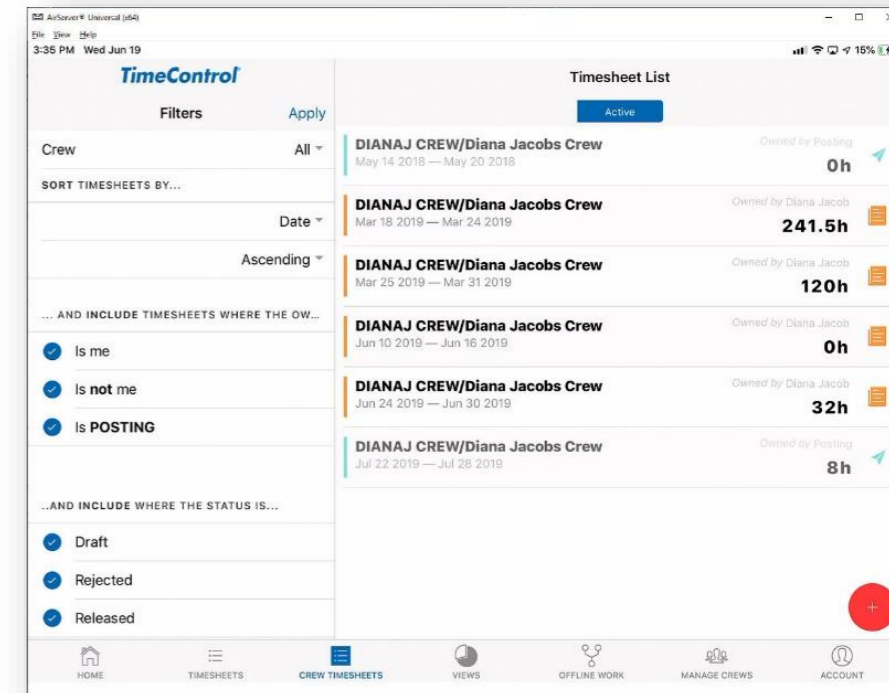
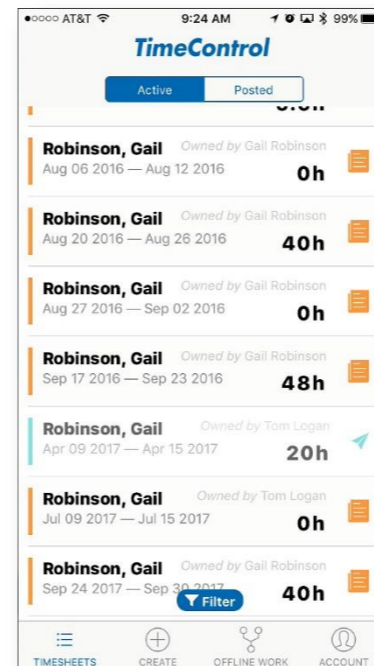
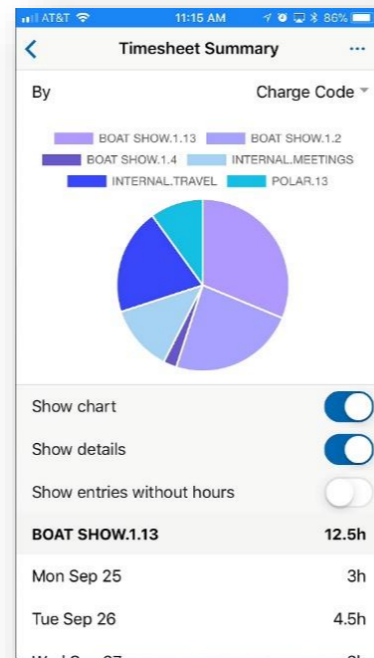
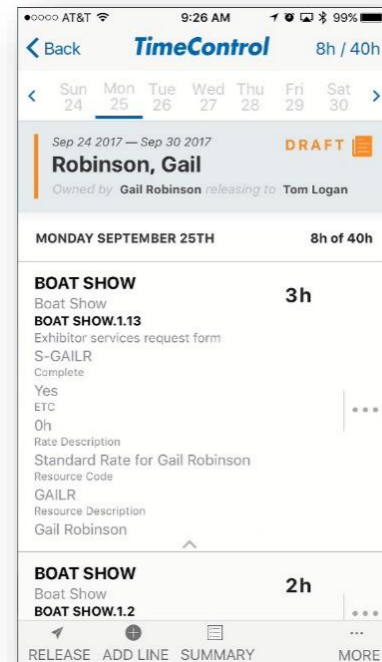
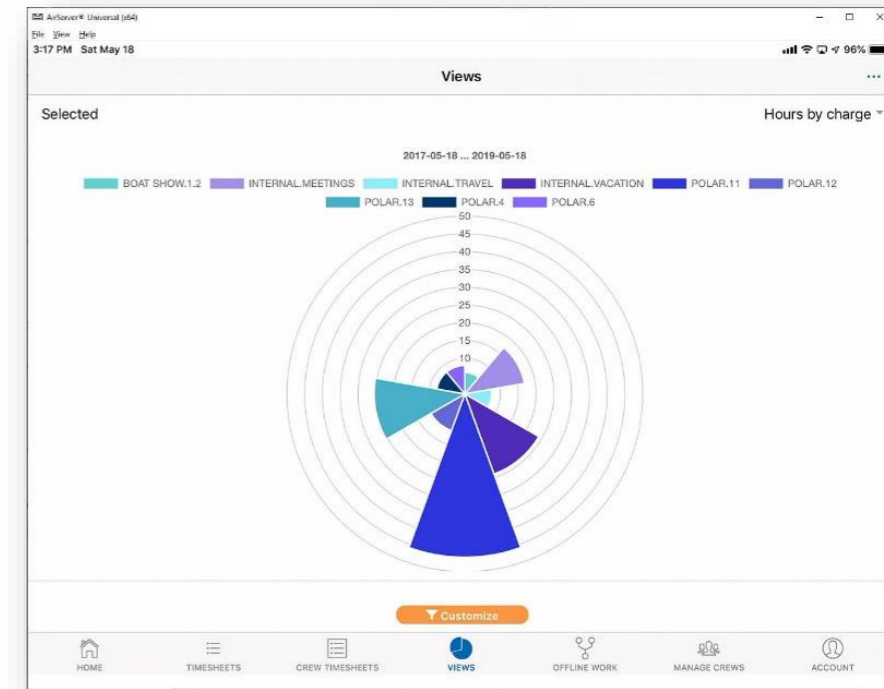
- You will require these financial documents:
 - A project plan which identifies eligible vs. non-eligible tasks
 - The progress for this taxation year including timesheets such as those from TimeControl for each eligible employee which must identify:
 - Total hours spent on R&D eligible work
 - Total hours spent on non R&D eligible work
- A typical financial audit will start with the payroll, then go to timesheets to determine if the R&D plus non R&D hours match your payroll records so all data must match!
- TimeControl is a great tool for this



Demonstration

TimeControl Mobile App

- ❑ A free Mobile App supporting Android and Apple devices
- ❑ Links to your instance of TimeControl Industrial



TimeControl R&D Reports

R&D TIMESHEET MONTHLY REPORT DETAILED

Date Work Performed Between 11/30/2020 And 1/1/2021



Employee Code	Employee Name	Date	Project Name	Project Description	R&D Eligibility	Charge Code	Charge Description	Hours			
ALEXL	Lang, Alex	12/06/2020	HMS PROJECT	HMS Project	R and D Eligible	HMSPROJECT.1.2.1.3	Analyze business objectives	13.00			
						HMSPROJECT.1.2.1.4	Define mission statement	10.00			
						HMSPROJECT.1.2.1.6	Establish communications plan	10.00			
					INTERNAL	Internal charge codes	R and D Not Eligible	INTERNAL.MEETINGS	General Meetings	7.00	
		12/13/2020	HMS PROJECT	HMS Project	R and D Eligible	HMSPROJECT.1.2.1.7	Secure Project Office core resources	10.00			
						HMSPROJECT.1.2.2.2	Define "best of breed" tools	8.00			
					INTERNAL	Internal charge codes	R and D Eligible	INTERNAL.TRAVEL	Travel for company business	22.00	
		12/20/2020	DATA	Data Migration Project	R and D Eligible	DATA.3.3	Acceptance document	9.00			
						R and D Not Eligible	DATA.3.4	Modify requirements	17.00		
						DATA.3.5	Implementation plan	6.00			
						INTERNAL	Internal charge codes	R and D Not Eligible	INTERNAL.MEETINGS	General Meetings	8.00
						INTERNAL	Internal charge codes	R and D Eligible	INTERNAL.VACATION	Paid Vacation	28.00
					R and D Not Eligible	INTERNAL.HOLIDAY	Official Holiday	12.00			
		GAILR	Robinson, Gail	12/06/2020	DATA	Data Migration Project	R and D Not Eligible	DATA.3.1	File downloads and conversions	1.00	
DATA.3.2	Test plan							1.00			
					HMS PROJECT	HMS Project	R and D Eligible	HMSPROJECT.1.2.2.1	Define "best of breed" processes	1.00	
							R and D Eligible	HMSPROJECT.1.2.2.2	Define "best of breed" tools	1.00	
					INTERNAL	Internal charge codes	R and D Eligible	INTERNAL.PERSONAL-PAID	Personal Time off - Paid	1.00	
							R and D Not Eligible	INTERNAL.MEETINGS	General Meetings	1.00	
12/13/2020	DATA			Data Migration Project	R and D Eligible	DATA.1.8	Phase II training	1.00			
						DATA.2.1	Capacity test	1.00			
					R and D Not Eligible	DATA.1.9	Data conversion table	1.00			
							R and D Not Eligible	DATA.2.2	Usage time map	1.00	
					INTERNAL	Internal charge codes	R and D Not Eligible	INTERNAL.MEETINGS	General Meetings	1.00	
					PMO	Project	R and D Not Eligible	PMO.1.1.1	Determine Project Office scope	1.00	
12/20/2020	DATA			Data Migration Project	R and D Eligible	PMO.1.2.1.2	Establish a management framework	1.00			
						DATA.2.5	Capacity acceptance	1.00			

Monday, December 14, 2020

Joseph Gardner

R&D CHARGE CODE LIST BY PROJECT

Charge Code Begins With DATA. Or
Charge Code Begins With INTERNAL. Or
Charge Code Begins With HMSPROJECT.



14-Dec-20

DATA (Data Migration Project)

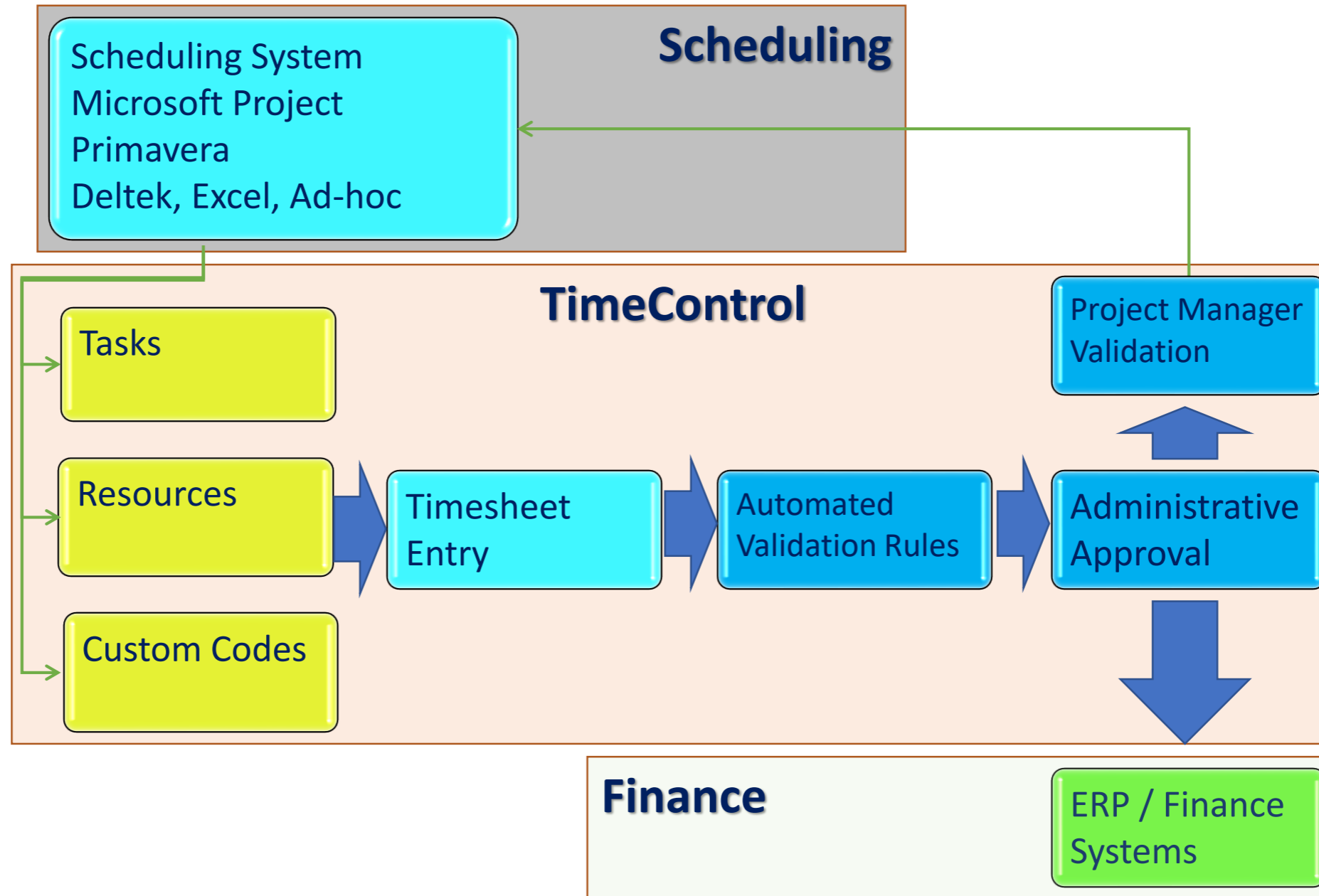
Charge Code	Charge Description	Project Name	R&D Eligible	Charge Status
DATA.1	Database Training	DATA	R and D Eligible	Opened
DATA.1.1	Move to new database system	DATA	R and D Eligible	Opened
DATA.1.2	Install software	DATA	R and D Eligible	Opened
DATA.1.3	Install test drive	DATA	R and D Eligible	Opened
DATA.1.4	Set up terminals	DATA	R and D Eligible	Opened
DATA.1.5	Work software tutorials	DATA	R and D Eligible	Opened
DATA.1.6	Develop training class program	DATA	R and D Not Eligible	Opened
DATA.1.7	Phase I training	DATA	R and D Eligible	Opened
DATA.1.8	Phase II training	DATA	R and D Eligible	Opened
DATA.1.9	Data conversion table	DATA	R and D Not Eligible	Opened
DATA.2	Project Planning	DATA	R and D Not Eligible	Opened
DATA.2.1	Capacity test	DATA	R and D Eligible	Opened
DATA.2.2	Usage time map	DATA	R and D Not Eligible	Opened
DATA.2.3	Network capacity test	DATA	R and D Not Eligible	Opened
DATA.2.4	CPU capacity test	DATA	R and D Not Eligible	Opened

Monday, December 14, 2020

Joseph Gardner

1/7

The Matrix Approval Process



Links to HR, Project Mgt and Finance

HMS has numerous alliances and work with numerous technology companies

- ❑ Technology Partners: Microsoft, Oracle, BrightWork, Deltek, InEight, VersionOne, ARES PRISM
- ❑ Links: Microsoft Project, Project Server, Project Online and Project for the Web, Oracle-Primavera Pro and Primavera EPPM, JIRA, BrightWork, Deltek EPM, VersionOne, InEight's Hard Dollar and ARES PRISM.
- ❑ TimeControl supports integration with multiple project management systems and versions simultaneously
- ❑ Integration or interface with virtually any finance or ERP system including SAP, Oracle Financials, PeopleSoft, Microsoft Dynamics, ADP and other HR and Finance systems



HMS clients include...



TimeControl works in many industries

Engineering/Construction

Aecon Construction
AeroInfo
Koch Business Solutions
Kongsberg Devotek
Thompson Beta

Gas / Utilities

Gulf South Pipeline
Acergy
Petrocon
VenCorp

Manufacturing

Alcan
Parker Hannifin
Dofasco
John Deere
Magneti Marelli
Mercury Marine
Tennant
Wagner Spray Tech
Vision Systems

Defense / Aerospace

Bombardier Inc.
CAE Electronics
General Motors Diesel
Lockheed Martin
Rolls Royce
SAAB

Government

Dutch Railways
Government of Saskatchewan
Railway Procurement Agency (UK)

Technology

Arivia
CSI Piemonte
DRS Power Control Tech
EDS
Face Technology
Fuel Plus Software
GE Access
Lockheed Martin
Positron
Psion Techlogix
DRUCK Ltd

Telecommunications

Cable & Wireless Bartel
Ericsson
EXFO
Motorola
Philips Semiconductors
SARA Amsterdam
Stratos Global

Financial

Standard Life
Development Bank of One

Health/Pharmaceutical

Boehringer Ingelheim
Azko Nobel (Organon)
RTS Thurnall
UK National Health Service
(NHS)
Canadian Institute for Health
Info
Iogen
Registrat



TimeControl Key Features

- ✓ Multi-Device / Multi-browser support
- ✓ Free Mobile App
- ✓ Multilingual
- ✓ Flexible architecture
 - ✓ SQL Server
 - ✓ Oracle
 - ✓ MySQL
- ✓ Expense tracking
- ✓ Matrix Approvals
- ✓ Automated Approvals
- ✓ Banked Time Accruals
- ✓ Vacation Requests
- ✓ Flexible Reporting
- ✓ Project Management Links
 - ✓ Microsoft Project, Project Server and Project Online, BrightWork, SharePoint,
 - ✓ Oracle-Primavera Pro and EPPM, Deltek EPM: Open Plan and Cobra, PRISM
- ✓ Links to ERP/Finance
 - ✓ SAP, Oracle, Dynamics, PeopleSoft, Others
- ✓ Government compliance
 - ✓ DCAA
 - ✓ European Time Directives
 - ✓ SOX, FMLA, Others...

“TimeControl, timesheet software so flexible you’ll think we wrote it just for you.”





Thank you!

For more information:

To find out more about TimeControl: www.timecontrol.com

To find out more about R and D: www.timecontrol.com/use-cases/r-and-d-tax-credits

To try TimeControl for free: freetrial.timecontrol.com

To find out about HMS Software: www.hms.ca

To reach HMS Software: info@hms.ca