Canadian Investment Tax Credits: Turning SR&ED and Clean Economy Credits into Working Capital

Closing the Gap Between Spending and Refund

Canada offers significant refundable tax incentives to companies that invest in research and in clean-economy assets. But a credit is earned when the money is spent and paid months, sometimes years, later. For growing companies, this timing gap, more than the headline rate, often decides whether a credit funds growth or merely rewards it afterwards. This note summarizes the main federal credits as they stand in October 2026, how long cash actually takes to arrive, and how the claim itself can be used to obtain liquidity well before the refund is paid.

1. SR&ED: Larger and Broader Since Bill C-15

Bill C-15 received royal assent on March 26, 2026 and enacted the Scientific Research and Experimental Development (SR&ED) changes announced in the 2024 Fall Economic Statement and Budget 2025. The CRA updated its SR&ED Investment Tax Credit Policy on October 7, 2026 to reflect those legislated changes. For tax years beginning after December 15, 2024:

- The expenditure limit for the enhanced 35% investment tax credit (ITC) rose from $3 million to $6 million. Spending above the limit earns the basic 15% rate.
- The limit phases out as prior-year taxable capital rises from $15 million to $75 million (previously $10 million to $50 million). CCPCs may instead elect a revenue-based test.
- Eligible Canadian public corporations can now earn the enhanced credit.
- Capital expenditures on property acquired after December 15, 2024 are eligible again.
- For most CCPCs, the enhanced credit on current expenditures is 100% refundable up to the limit; the credit on capital expenditures is 40% refundable.

Separately, since April 1, 2026 the CRA offers optional pre-claim approval for planned projects. Businesses with under $25 million in annual gross income can receive a determination within eight weeks, valid for up to three years. Claims containing approved projects that are selected for an expenditure review have a 90-day processing target instead of 180.

2. The Clean Economy ITCs

All five refundable clean economy credits are now fully legislated. Bill C-15, which received royal assent on March 26, 2026, brought the Clean Electricity credit into force and amended the others. Unlike SR&ED, these credits are fully refundable for an eligible claimant even where no tax is owing. The rates below are the regular rates for claimants that elect to meet the prevailing-wage and apprenticeship requirements; otherwise the rate falls by ten percentage points (for example, 30% becomes 20%).

Credit	Regular rate	Timing
Clean Technology	30%; 15% in 2034	Property acquired from March 28, 2023, available for use by 2034
Clean Technology Manufacturing	30%; then 20%, 10%, 5% for 2032–2034	Property available for use through 2031 at the full rate
Carbon Capture, Utilization and Storage	60% direct air capture; 50% other capture; 37.5% transport, storage and use	Expenditures from 2022 to 2035 (extended five years by Bill C-15); lower rates 2036–2040
Clean Hydrogen	40%, 25% or 15% by carbon intensity	Property available for use by 2034, half rate in 2034
Clean Electricity	15%	Property acquired from April 16, 2024, available for use by 2034

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Bill C-15 also widened eligibility, adding waste-biomass systems to the Clean Technology credit and several critical minerals to the manufacturing credit. The credits serve different investments: Clean Technology is the adopter's credit (solar, wind, storage, heat pumps and related equipment); the manufacturing credit covers equipment used to make clean technology or to extract, process or recycle prescribed critical minerals; Clean Electricity covers generation, storage and transmission and is also open to specified tax-exempt entities, including Crown, municipal, Indigenous-owned and pension entities; and carbon capture and clean hydrogen are more specialized, with rates that depend on the project or the carbon intensity of the hydrogen.

Four conditions often move the cash value of a claim. Labour compliance preserves the full rate on four of the five credits (the manufacturing credit has no labour test); electing in and then falling short can reduce the rate and attract penalties. Government and non-government assistance generally reduces the cost on which the credit is calculated, and stacking rules usually prevent two clean economy credits on the same cost. Hydrogen and carbon-capture claims also depend on technical review by Natural Resources Canada, with the CRA determining the tax claim. Conversion, export or disposition of the property can trigger recapture, generally over a multi-year recovery period.

3. The Timing Gap

	SR&ED	Clean economy ITCs
When the claim is filed	Ideally with the T2, which is due six months after year-end; the reporting deadline is 18 months after year-end	With the T2 for the year the property becomes available for use (this rule does not apply to the carbon-capture credit)
CRA processing	60 days if accepted as filed; 180 days if a refundable claim is selected for review	No published service standard that I could find; claims are reviewed before payment
Practical experience	Published service standards apply to claims once they are filed	An April 2026 legal update reported that every clean-economy claim was being audited, with delays beyond a year in some cases
Main risk to timing	Technical review of eligibility	Property eligibility, available-for-use timing, labour, government assistance, documentation

As of March 31, 2026, the CRA had received 1,763 clean economy ITC claims, collectively worth $1.6 billion. Public reporting of those first program statistics showed that most files were still in progress—about 69% of Clean Technology claims and 87% of manufacturing claims. A December-year-end company that spends in January and files promptly with its T2 the following June could see an SR&ED refund by late summer of the next year at the earliest, and later if the claim is reviewed. For most clean economy projects, the property must also be available for use before the credit can be claimed (the carbon-capture credit is an exception), so cash can arrive later still. Those timelines are manageable for a large corporate. For a small company whose largest asset is an expected refund, they can decide whether it hires, builds or waits.

4. Liquidity: Using the Claim Before the Refund Arrives

The credit itself is not paid until the CRA has processed the tax return and issued a notice of assessment. That government cash date sits at the end of a long chain: spend, year-end, filing, review and assessment, then refund. What is often missed is that the claim can be used as security well before that date—during the year, as expenditures accrue, or once the claim has been filed—to

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borrow funds or to secure a line of credit. Specialist lenders such as Easly are, in that sense, critically important liquidity providers to companies undertaking R&D or making capital investments in Canada's clean economy.

It helps to keep two clocks in mind. The government clock, set out in the table above, runs from spend to year-end, to filing, to CRA review and assessment, and then to refund. The financing clock can start earlier. A lender may advance against an accrued but unfiled claim during the year, or against a filed claim while the CRA is still working. When the notice of assessment is issued and the refund is paid, that cash is used to repay the advance.

The mechanics are straightforward, even if the legal structure needs care. The lender advances a percentage of the expected eligible claim—an advance rate—not the headline credit in full, because eligibility and timing are uncertain. A corporation may assign an amount payable to it under the Income Tax Act, but that assignment is not binding on the Crown: the CRA is not required to pay the lender, and the Crown keeps its rights of set-off. In practice, lenders therefore combine an assignment with controls over the account that will receive the refund, and with covenants. Counsel should structure this carefully. Repayment comes from the refund itself.

What drives the price and the amount advanced is not the credit's headline rate but the certainty of the claim:

- Eligibility: SR&ED turns on technical judgment about experimental development, while clean economy credits turn mainly on property, labour, documentation, government assistance and, for some credits, review by Natural Resources Canada.
- Documentation: contemporaneous records are the best predictor of a smooth review.
- Tenor: a credit expected within months and one expected in two years are different assets.
- Structure: the quality of the assignment, account controls and covenants, and the risk that the Crown sets off other amounts against the refund.

Companies generally have three routes to the same liquidity problem. They can accrue the credit conservatively and fund the gap from operations or equity. They can ask a bank or venture lender to lend against it, usually with a haircut. Or they can use a specialist advance of the kind described above. Specialist funding costs more than bank debt because the lender takes on eligibility and timing risk, but it avoids selling equity at a time when the credit itself shows the company is investing. In Canada, Easly is an example of a specialist lender that provides advances against SR&ED claims, giving companies access to liquidity while they wait for the CRA.

The company benefits by turning an expected refund into cash it can spend on further R&D or on clean-economy assets, rather than waiting twelve to twenty-four months. The lender, if it underwrites the claim carefully, has a defined receivable with a government payor. And the policy objective is better served: the incentive actually helps fund the investment it was meant to encourage, instead of arriving after the fact.

Recommendations for Canadian Companies

1. Consider pre-claim approval for new SR&ED projects if the company is eligible.
2. Build the claim file while spending, not afterwards: project records, time records and, for clean economy credits, monthly tracking of wages and apprenticeship ratios across every contractor, a record of government assistance, and the date each asset became available for use.
3. Model two clocks: the government's, from filing to refund, and the financing clock, which can start as the claim accrues.

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4. Confirm which credit applies to each asset, since generally only one credit can be claimed on the same property; watch recapture if the property is later sold, exported or put to a different use; and use available technical guidance, including Natural Resources Canada confirmation where it is required, before filing.
5. Allocate the expenditure limit across associated corporations and test the taxable-capital phase-out.
6. Arrange liquidity against an accrued or filed claim once the documentation is in good order; waiting for the notice of assessment is waiting for the government's cash, not the earliest date the claim can support borrowing.

Conclusion

The 2026 changes make SR&ED larger and more accessible, and the clean economy credits make Canada an attractive place to build capital-intensive projects. Neither helps a company that cannot afford to wait for the refund. The firms that benefit most treat the claim as a financial asset from the first day: documented, forecast, and, where appropriate, used as security for liquidity well before the notice of assessment arrives. As always, the rules will continue to evolve, so claimants should confirm current requirements with their tax advisors.

Sources

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General information as of the date shown. It is not tax, legal or investment advice.

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