



## Scientific Research and Experimental Development (SR&ED) Review Report

### 1. Identification

Claimant: FALAFEL AL-ROUSHEH INC. (Tarboosh Restaurant)			
Business/SIN number: 124281460		Claimant's TSO: 1262	
Address: ATTN MR B ESBEIT 105-3050 CONFEDERATION PKY MISSISSAUGA, ON L5B3Z6			
Contact: Bassam Esbeit		Telephone: 905-949-0222	
Research & Technology Advisor (RTA): Michal Cvercko		Telephone: 437-996-1644	
Financial Reviewer (FR): Durre Hujjatullah		Telephone: 905-615-2788	

Tax Year End:	SR&ED Expenditures:	Case #:	Case Selection Reason
2019-01-31	\$219,900	21800731	2337

Are there any other reports issued for the same tax year end? No

If yes, date(s) of report(s):

#### Note:

This report presents the determination of the Canada Revenue Agency (CRA) concerning whether claimed work meets the definition of SR&ED in subsection 248(1) of the *Income Tax Act* (the ITA), and other decisions on joint technical-financial compliance issues not directly related to the definition of SR&ED. The Financial Reviewer (FR) will use them, together with other requirements of the ITA, to assess the expenditures that will be allowed.

## 2. Summary of results by tax year

Tax Year	2019
Number of projects in this claim ( $X = A+B+C+D$ )	1
A. Number of projects where ALL reviewed work received an eligibility determination ( $A = I+II+III$ ).	1
I. Number of projects where ALL of the work (AW) reviewed meets the definition of SR&ED. Includes projects where the reviewed work is AW and the remainder is accepted as filed (AAF).	0
II. Number of projects where SOME of the work (SW) reviewed meets the definition of SR&ED. Includes projects where the reviewed work is SW and the remainder is AAF.	1
III. Number of projects where no claimed work meets the definition of SR&ED (NW).	0
B. Number of projects where all claimed work cannot be substantiated. It is not possible to determine if the claimed work meets the definition of SR&ED, therefore the conclusion is unsubstantiated (UN).	0
C. Number of projects where all claimed work claimed work is accepted as filed without a review to determine if the claimed work meets the definition of SR&ED (AAF). The decision to AAF these projects means that the CRA has neither confirmed nor refuted the eligibility of the claimed work.	0
D. Number of projects where claimed work received a combination of determinations/conclusions/decisions, and are not listed under A, B, or C.	0
Were any decisions made on other joint technical-financial issues not directly related to the definition of SR&ED in subsection 248(1) of the Act?	Yes

### 3. Review issues

The following issues were identified during the initial desk review:

1. The claimant did not claim SR&ED for 12 years. The claimant could benefit from an education presentation on the SR&ED eligibility criteria using the 5 question method.
2. A single project "Sesame Processing System to Produce Tahini" was claimed. The claimant appears to be assembling a tahini (sesame seed paste) making machinery / line. Non-SR&ED activities may not have been separated from the activities with SR&ED potential. If or when technological uncertainty was encountered and when it was resolved is not clear.
3. Three specified employees are claimed, each spending a substantial fraction of his/her time on SR&ED. How their hours are tracked is not clear.
4. The claimant is operating as a Tarboosh Restaurant, where on its web site Bassam Esbeit is identified as an executive chef / owner. In the form T661 Bassam Esbeit is presented as an Organic Chemist. Running restaurant, 2 remaining specified employees are Violina Khoury, an Analytical Chemist and Mohammad Arman, a Technician.
5. What \$128,348 of materials consumed represent is not clear.

The following issues were identified during the site visit:

6. The claimant did not have a claim summary. How the value of labour and the materials claimed as consumed were calculated is not clear.
7. In the claim for FY 2019 the claimant included the work performed and the materials consumed in the prior fiscal year (FY 2018).

### 4. Review methodology

Review of the claim was facilitated through the following steps:

2019-09-10 to 2019-09-20	Conversations were had with claimant to schedule an on-site visit. Request for On-Site visit on October 16, 2019 with agenda was sent to claimant.
2019-10-03 to 2019-10-08	The site visit was postponed upon RTA's conflict with medical appointment and then the second time upon claimant's request not to have a site visit on election day. The new site visit day was set for November 28, 2019.
2019-10-28	On-site visit was conducted.
Location:	105-3050 Confederation Parkway and 2408 Haines Rd Unit #1, Mississauga
Attendees:	Bassam Esbeit, B.A.Sc. Tarboosh Restaurant
	Violina Khoury Tarboosh Restaurant
	Durre Hujjatullah CRA, Financial Reviewer
	<b>Error! Reference source not found.</b> Cvercko CRA, Research and Technology Advisor
Purpose:	To conduct an education session, go on a plant tour, discuss claim preparation specifics, and review project details of a single project claimed.
Conclusion:	Further information was requested.
2019-10-31	Technical information was received and reviewed.
2019-11-07	Project costing was received by CRA and reviewed.
2019-12-03	The RTA contacted the claimant and presented the outcome of the review. The claimant stated "No problem". The RTA explained the further review steps.

## 5. Information and supporting evidence reviewed

The following was reviewed prior to the on-site visit:

1. T661 form for the taxation year under review
2. Project descriptions (supplied with the above T661 form)
3. Web site: <https://tarboosh.net/>
4. Web sites about tahini production methods and associated machinery.

The following was reviewed during the on-site visit:

5. Two ½" thick notebooks, one for FY 2018 and one for FY 2019.
6. Tahini making machinery / production line. The line was disassembled.
7. Invoices for variety of water nozzles and salt dosing equipment.

The following was reviewed after the on-site visit:

8.

Name	Date modified	Type	Size
Cover letter 2019-10-30.PDF	2019-10-31 10:55 ...	Adobe Acrobat D...	259 KB
Phase 1 start 2017-02-22.PDF	2019-10-31 11:00 ...	Adobe Acrobat D...	7,693 KB
Phase 2, start 2018-08-08 &.PDF	2019-10-31 11:04 ...	Adobe Acrobat D...	9,111 KB
Phase 3, start 2018-01-09.PDF	2019-10-31 11:07 ...	Adobe Acrobat D...	7,181 KB
Phase 4 start summer 2018.PDF	2019-10-31 11:11 ...	Adobe Acrobat D...	12,543 KB
Phase 5 start 2018-09-25.PDF	2019-10-31 11:14 ...	Adobe Acrobat D...	7,722 KB
Phase 6, start 2018-11-13.PDF	2019-10-31 11:16 ...	Adobe Acrobat D...	4,976 KB

9.

Name	Date modified	Type	Size
Bought in Ethiopia.PDF	2019-11-07 12:46 ...	Adobe Acrobat D...	1,038 KB
Brooks & Dosatron.PDF	2019-11-07 12:54 ...	Adobe Acrobat D...	1,194 KB
Cover letter Nov 5, 2019.PDF	2019-11-07 12:57 ...	Adobe Acrobat D...	612 KB
Expenses chart (2017,2018).PDF	2019-11-07 12:52 ...	Adobe Acrobat D...	1,420 KB
Stainless process equipment.PDF	2019-11-07 12:51 ...	Adobe Acrobat D...	1,020 KB

10.

Name	Date modified	Type	Size
cost of hulling machine.PDF	2019-11-27 11:21 ...	Adobe Acrobat D...	598 KB
Nov 25th, 2019.PDF	2019-11-27 11:18 ...	Adobe Acrobat D...	645 KB
the rest for Nov 27th.PDF	2019-11-27 11:36 ...	Adobe Acrobat D...	16,725 KB

## 6. Review observations, determinations, conclusions, and other decisions

The claimant operates as Tarboosh Restaurant. It is a family owned business. [REDACTED] Bassam Esbeit has a B.A.Sc. degree in Organic Chemistry from University of Toronto. He led the project. Violina Khoury, Analytical Chemist and Mohammad Arman, steam fitter, were as well claimed to be participating in the claimed SR&ED work. Mr. Bassam Esbeit has familiarity with tahini, restaurant food preparation expertise and a background in Chemical Engineering. He was qualified to supervise the acquisition of the tahini making equipment and to lead the effort to optimize the tahini paste production process parameters.

Whether work meets the definition of SR&ED in subsection 248(1) of the *Income Tax Act* is determined using the methodology described in the Eligibility of Work for SR&ED Investment Tax Credits Policy.

This methodology involves two steps. First, determining if there is SR&ED by answering the following five questions:

- Q1: Was there a scientific or a technological uncertainty?
- Q2: Did the effort involve formulating hypotheses specifically aimed at reducing or eliminating that uncertainty?
- Q3: Was the overall approach adopted consistent with a systematic investigation or search, including formulating and testing the hypotheses by means of experiment or analysis?
- Q4: Was the overall approach undertaken for the purpose of achieving a scientific or a technological advancement?
- Q5: Was a record of the hypotheses tested and the results kept as the work progressed?

There is SR&ED if the answer to each of the five questions is "yes".

If there is SR&ED, the second step is to determine the extent of SR&ED – what work is part of the SR&ED project.

### Project #1 (FY 2019): Sesame Processing System to Produce Tahini

Tahini is a thick paste made from ground sesame seeds. It's most commonly used as a tahini sauce or as a flavoring ingredient in Middle Eastern dishes such as hummus or with grilled eggplant (aubergine) to make baba ganoush.

The process of producing tahini goes through these steps: sesame seed cleaning, seed peeling / hulling, separating the husk, roasting and grinding.

There are two different systems that are used. In the traditional batch system sesame is soaked in water overnight, then moved to the hulling machine that runs at [REDACTED] RPM for [REDACTED] minutes per batch. Then sesame kernels and husk are moved to the saltwater chamber with [REDACTED] salt concentration. Due to the oil content in the sesame, the sesame floats in the water while the husk sinks to the bottom. Hulled sesame is then skimmed to be rinsed with fresh water multiple times. Then sesame is roasted in a steel double jacketed kettle and sesame is ground. The final product is sweet, creamy and light in color, easy to grind. The process has a high yield but is labour intensive and requires lots of energy and water.

In the dry hulling system sesame is hulled using small amounts of water. The hulling machine runs at [REDACTED]. As a result of the high speed and friction between the seeds sesame oozes oil and its temperature reaches [REDACTED]. Husk is separated from the sesame using a circular sifter. Water is added in a misting tank [REDACTED]. Sesame is roasted using [REDACTED] double jacketed cylinders. The final product is overcooked dark brown in color, the sesame is oily due to the oil oozing. After cooling and brushing the sesame is hard to grind requiring three steps. The process requires less water and energy to roast. The process is automated and continuous versus the traditional batch process.

The project's goal was to experimentally develop an automated new process where tahini is produced with the same qualities and characteristics of the traditional process while addressing disadvantages of the dry hulling process. The project started in FY 2016 and continued in FY 2017 and 2018, however it was first time claimed as SR&ED in FY 2019.

Based on verbal project description of the project, supported by 2 notebooks in detail recording the performed tests, the RTA determined that there was a technological uncertainty present at the start of FY 2019 that was resolved by the end of the fiscal year. Description of the claimed work follows.

There is limited published material on the process of producing tahini. The traditional hulling process is well-established. The dry hulling process is a relatively new process that has been developed by a company in Turkey. While a couple of companies offer dry hulling system components, the claimant elected to build his own tahini production line. In FY 2016 and FY 2017 the claimant acquired drawings for a traditional hulling machine and had one built in Canada. After some experimentation with mock up, a double walled (TSSA approved pressure vessel) roasting machine in [REDACTED] stainless steel (SS), with [REDACTED] SB finish for a [REDACTED] food grade surface was built.

In Phase I of the project in [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In Phase II in FY [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Phase III started [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

In Phase IV gradually [REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

Phase V focused on determination [REDACTED]

[REDACTED]

In Phase VI that started on November [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

#### RTA Analysis:

By the end of FY 2018 the claimant [REDACTED] However, the process was too labour intensive to be economical and was not easily automated. [REDACTED]

In FY 2019 the claimant introduced [REDACTED] the claimant advanced food processing technology. The claimant spent FY 2019 combining [REDACTED] in an effort to develop a continuous tahini making process with superior yield and quality of product but with lower power and water consumption and lower labour cost. There was technological uncertainty at the start of the unconventional continuous processing approach and all of the process parameter trials were in support of resolving this uncertainty.

By the end of FY 2019 after replacing [REDACTED] the claimant had assembled and made work an automation friendly tahini line. The results, the combination of productivity with quality, were so promising [REDACTED]

[REDACTED]

In 2 notebooks presented the claimant kept detailed records of the performed tests together with the explanation what was achieved in each phase and the description of the rationale for the tests in the next phase. In FY 2019, the claimant performed systematic investigation and search in the field of food processing for the purpose of technological advancement.

The claimed [REDACTED] test periods per week by 3 people are plausible time [REDACTED]. The claimed time in FY 2019 is commensurate with the needs of the claimed SR&ED project. [REDACTED]

The claimed materials consumed were the sesame seeds (bought from Ethiopia) [REDACTED]

[REDACTED]





## 7. Working with the claimant

The first time claimant was educated about the 5 question method for determining if the claimed work meets the definition of SR&ED.

[REDACTED]

[REDACTED]

On one hand the claimant had very detailed notebooks describing the performed tests. On the other hand the claimant did not have at the time of the site visit the claim summary that would explain how the claimed amounts for labour and materials were derived. [REDACTED]

[REDACTED]

[REDACTED] The RTA accepted imperfect records and allowed the work performed in FY 2019.

## 8. Claimant concurrence

The claimant did accept the All Work determination for work performed in FY 2019. [REDACTED]

[REDACTED]

## 9. Recommendations for future claims

1. During the course of the review, the RTA asked the claimant to provide contemporaneous documentation to substantiate labour hours claimed. The claimant is recommended to maintain contemporaneous documentation for all future SR&ED claims. Specifically, this should include:
  - Daily / weekly recording of SR&ED hours for all employees claimed including specified employees, with descriptions of SR&ED work performed (who did what, and for how long).

Failure to maintain contemporaneous documentation may result in disallowance of future SR&ED claims.
2. During a typical review, the RTA will examine records and evidence provided by the claimant in order to substantiate the work claimed. The claimant was able to provide records or evidence to substantiate the work claimed. The claimant is advised to provide sufficient evidence in order to substantiate all SR&ED work claimed for future projects. Examples of this type of evidence could include:
  - Experimental plans. Formulations of the test protocols.
  - Records of trial runs. Data collected from experimental runs.
  - Analysis of data and conclusions.
  - Project records and meeting minutes.
  - Pictures or video recordings taken and dated at the time of work.
  - Emails describing details of the claimed work and indicating who is directing it.

The above documents should be dated and kept on file for potential review by the CRA.

3. "SR&ED while Developing an Asset Policy" deals with custom products and commercial assets developed for business purposes. A custom product is constructed to meet customer specifications or market-driven technical requirements. In some cases, the development of a custom product may require SR&ED that is carried out in conjunction or simultaneously with non-SR&ED work. It is important to be able to distinguish between the SR&ED work and other non-SR&ED work so that the project costs can be allocated accordingly. For the purposes of allocating the project costs to SR&ED, appropriate internal controls and accounting methods must be sufficient to explain the allocation of costs to the SR&ED portion of the project.
4. The claimant is required to provide sufficient evidence to substantiate the materials consumed and their association to the work claimed, for example keeping dated photographs, scrap tickets or scrap bills of lading as supporting evidence.
5. The claimant must comply with the ITA, including section 230(1) Records and Books which states that every person carrying on business and every person who is required to pay or collect taxes or other amounts shall keep records and books of account in such form and containing such information as will enable the taxes payable under this Act or the taxes and other amounts that should have been deducted, withheld or collected to be determined.

#### 10. Other financial review considerations

The claimant's records include 3 Wire Payment Instructions for [REDACTED] 2019-04-07 after conversion for total of CAD\$112,675 issued to [REDACTED] PLC, Addis Abba, Ethiopia [REDACTED]

#### 11. Signatures

The electronic version of this report has been digitally signed by the RTA and RTM using personal encryption keys.

Signed by:

2019-12-09

X



Research and Technology Advisor  
Signed by: CVERCKO MICHAL

Approved by:

2019-12-09

X



Research and Technology Manager  
Signed by: BOROWITZ MICHAEL