INVESTMENT TAX CREDIT - CORPORATIONS (1998 and later taxation years)

General information

1. For use by a corporation that during a taxation year:
   a) earned an investment tax credit (the credit);
   b) is claiming a deduction against their Part I tax payable;
   c) is claiming a refund of credit earned during the current taxation year;
   d) is claiming a carry-forward of credit from preceding taxation years;
   e) is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
   f) is requesting a credit carry-back; or
   g) is subject to a recapture of investment tax credit.

2. References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to Interpretation Bulletins and Information Circulars are to the latest versions.

3. The credit is eligible for a three-year carry-back (if not deductible in the year earned) and a ten-year carry-forward.

4. Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the investment tax credit are:
   - qualified property;
   - certified property; and
   - qualified expenditures for scientific research and experimental development (SR&ED). Complete and file Form T661, *Claim for Scientific Research and Experimental Development Expenditures Carried on in Canada.*

5. Attach a completed copy of this schedule with the corporation's *T2 Corporation Income Tax Return*.

6. For more information on investment tax credits, see the section called "Investment Tax Credit" in the *T2 Corporation Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures.*

7. For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures,* Information Circular IC 86-4, *Scientific Research and Experimental Development*, T4052, *Scientific Research and Experimental Development – An Information Guide to the Tax Incentive Program,* T4088*, Claiming Scientific Research and Experimental Development Expenditures* (guide to Form T661).

Detailed information

1. For the purpose of this schedule, **investment** means:
   The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government assistance or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property at the time of filing the income tax return for the year in which the property was acquired.

2. An investment tax credit deducted or refunded in a taxation year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next taxation year. It also reduces the undepreciated capital cost of that class in the next taxation year. An investment tax credit for SR&ED deducted or refunded in a taxation year will reduce the balance in the pool of deductible expenditures for SR&ED and the adjusted cost base (ACB) of an interest in a partnership, in the next taxation year.

3. Property acquired has to be "available for use" before a claim can be made for an investment tax credit.

4. Qualified expenditures for SR&ED and capital costs for a property qualifying for an investment tax credit must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the taxation year in which the expenditures or capital costs were incurred.

5. Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the investment tax credits (the credits) of the partnership at the end of the fiscal period of the partnership. An allocation of credits is generally considered to be the partner's reasonable share of the credits if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151.

Corporation's name	Business Number	Taxation year-end Year / Month / Day

Part 1 – Investments, or expenditures, percentages, and codes

Investments	**Specified percentage**	**Code**
Qualified property acquired primarily for use in Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10%	14
Expenditures		
If you are a CCPC throughout the taxation year, code 11B may apply to you on the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 9 on page 4)	35%	11B
If the current year's qualified expenditures are more than the corporation's expenditure limit, (see Part 9 on page 4) the excess is eligible for an investment tax credit calculated at the 20% rate.		
A corporation that is not a CCPC throughout the current taxation year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20%	3B

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . . 101 1 Yes ☐ 2 No ☐

A **qualifying corporation** for the purpose of a refundable investment tax credit is defined under subsection 127.1(2). The corporation has to be a Canadian-controlled private corporation (CCPC) throughout the particular taxation year and the taxable income (prior to any loss carry-backs) for its preceding taxation year or, if it is associated with any other corporations in the particular taxation year, the taxable income (prior to any loss carry-backs) of the corporation for its last taxation year ending in the preceding calendar year plus the taxable incomes (prior to any loss carry-backs) of all the associated corporations for their last taxation years ending in the preceding calendar year, cannot exceed the total of the business limits as determined for the small business deduction.

A qualifying corporation will earn a 100% refund on its share of any investment tax credits earned at the 35% rate up to the allocated expenditure limit on qualified current expenditures for SR&ED. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any investment tax credits earned at the 35% rate up to the allocated expenditure limit on qualified current expenditures for SR&ED. The expenditure limit can be determined in Part 9 on page 4. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever), or is related to:

a) one or more persons exempt from Part I tax under section 149;
b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
c) any combination of persons referred to in a or b above.

Part 3 – Eligible investments for qualified property from the current taxation year – code 14 only

	CCA class number 105	Description of investment 110	Date available for use 115	Location used (province) 120	Amount of investment 125
1.					
2.					
3.					
4.					
5.					
6.					
7.					

Total investment – enter in formula on line 240 in Part 4 ______

Part 4 – Calculation of current year credit and account balances – Investment Tax Credit from investments in qualified property

Investment tax credit at end of preceding taxation year ______

Deduct:

Credit deemed as a remittance of co-op corporations . . . 210 ______

Credit expired after 10 taxation years . . . 215 ______

Subtotal ______ ▶ ______

Investment tax credit at beginning of taxation year . . . 220 ______

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . 230 ______

Investment tax credit from repayment of assistance . . . 235 ______

Total current year credit: total of column 125 ______ × 10% = . . . 240 ______

Credit allocated from a partnership . . . 250 ______

Subtotal ______ ▶ ______

Total credit available ______

Deduct:

Credit deducted from Part I tax (enter on line 652 of theT2 return) . . . 260 ______

Credit carried back to the preceding year(s) (from Part 5) . . . ______ A

Credit transferred to offset Part VII tax liability . . . 280 ______

Subtotal ______ ▶ ______

Credit balance before refund . . . ______ B

Deduct:

Refund of credit claimed on investments from qualified property (from Part 6) . . . 310 ______

Investment tax credit closing balance of investments from qualified property . . . 320 ______

Part 5 – Request for carry-back of credit from investments in qualified property

	Year	Month	Day			
1st preceding taxation year				Credit to be applied	901	______
2nd preceding taxation year				Credit to be applied	902	______
3rd preceding taxation year				Credit to be applied	903	______

Total (enter on line A in Part 4) ______

Corporation's name	Business Number	Taxation year-end Year / Month / Day

Part 6 – Calculation of refund for qualifying corporations on investments from qualified property

Current year investment tax credits (total of lines 240 and 250) . . . . ________ C

Credit balance before refund (amount B from part 4) . . . . ________ D

Refund (40% of amount C or D, whichever is less) . . . . ________ E
Enter amount E or a lesser amount on line 310 in Part 4 (also enter on line 780 of the T2 return if no SR&ED ITC refund is claimed.)

Part 7 – Qualified expenditures for SR&ED

Current expenditures . . . . **350** ________
Capital expenditures . . . . **360** ________
Repayments made in the year (the totals of lines 560 and 565 from Form T661) . . . . **370** ________
Total (this must equal the amount from line 570 on Form T661 or line 296 on Form T661 Rev 96) . . . . **380** ________

Part 8 – Components of the SR&ED expenditure limit calculation

To be completed by corporations not associated with any other corporations (the components for associated corporations will be determined on Schedule 49). This Part only applies to a CCPC throughout the current taxation year.

A) Enter your taxable income for the preceding taxation year * . . . . **390** ________

B) Enter your reduced business limit for the current taxation year * (this amount can not be greater than $200,000) . . . . **395** ________

* If either of the taxation years referred to in A or B above are less than 51 weeks, gross up the taxable income and/or the business limit for the applicable taxation year(s) by the ratio that 365 is of the number of days in those taxation years. For details on the expression "Reduced business limit", see line 652 of the *T2 Corporation Income Tax Guide.*

Part 9 – Calculation of SR&ED expenditure limit for CCPC throughout the current taxation year

For stand-alone corporations:

$4,000,000

Subtract: line 390 from Part 8 or $200,000, whichever is more . . . . ________ × 10 = ________
Excess (if negative, enter "0") . . . . ________ F

Line F ________ × $\frac{\text{Line 395}}{\$200,000}$ ________ = ... ________ *G

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 . . . . **400** ________ *H

Where the taxation year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Line G or H ________ × $\frac{\text{number of days in the taxation year}}{365}$ ________ = ... ________ I

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) . . . . **410** ________
* Amount G or H cannot be greater than $2,000,000.

Part 10 – Calculation of investment tax credits on SR&ED expenditures

The lesser of current expenditures (line 350 from Part 7) and the expenditure limit (line 410 from Part 9)*	420		× 35% =		J
Line 350 minus line 410 (if negative, enter "0")	430		× 20% =		K
Line 410 minus line 350 (if negative, enter "0")			L		
The lesser of capital expenditures (line 360 from Part 7) and line L above *	440		× 35% =		M
Line 360 minus line L (if negative, enter "0")	450		× 20% =		N

Repayments (amount from line 370 in Part 7) ____________

If a corporation makes a repayment of any government assistance, non-government assistance, or contract payments that reduced the amount of qualified expenditures for investment tax credit purposes, the amount of the repayment is eligible for a credit at the rate that would have been applicable to the expenditure.

460		× 35% =			
470		× 30% =			
480		× 20% =			
		Total		▶	O

Current year SR&ED investment tax credits are the total of lines J, K, M, N, and O (enter on line 540 in Part 11) ____________

***** For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

Part 11 – Calculation of current year credit and account balances – ITC from SR&ED expenditures

Investment tax credit at end of preceding taxation year				
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired after 10 taxation years	515			
Subtotal			▶	
Investment tax credit at beginning of taxation year			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current year credit	540			
Credit allocated from a partnership	550			
Subtotal			▶	
Total credit available				
Deduct:				
Credit deducted from Part I tax (enter on line 652 of your T2 return)	560			
Credit carried back to the preceding year(s) (from Part 12)		P		
Credit transferred to offset Part VII tax liability	580			
Subtotal			▶	
Credit balance before refund				Q
Deduct:				
Refund of credit claimed on expenditures of SR&ED (from Part 13 or 14, whichever is applicable)			610	
Investment tax credit closing balance on SR&ED			620	

Part 12 – Request for carry-back of credit from SR&ED expenditures

	Year	Month	Day			
1st preceding taxation year				Credit to be applied	911	
2nd preceding taxation year				Credit to be applied	912	
3rd preceding taxation year				Credit to be applied	913	
				Total (enter on line P in Part 11)		

Corporation's name	Business Number	Taxation year-end Year Month Day

Part 13 – Calculation of refund of investment tax credits for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 on page 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . 650 1 Yes ☐ 2 No ☐

Credit balance before refund (amount Q in Part 11 on page 5) . . . . ________ AA

Current year investment tax credits (lines 540 plus 550 in Part 11 **minus** line O in Part 10) . . ________ BB

Refundable credits (lesser of amounts AA and BB above) * . . . . ________ CC

Amount J from Part 10 on page 5 . . . . ________ DD

Subtract: Lesser of amounts CC and DD . . . . ________ EE

Net amount (if negative, enter "0") . . . . ________ FF

Amount FF ________ x 40% . . . . ________ GG

Add: Amount EE above . . . . ________ HH

Refund of investment tax credit (amount GG plus HH – enter this, or a lesser amount, on line 610 in Part 11) . . . . ________ II
Enter the total of lines 310 from Part 4 and 610 from Part 11 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount should be multiplied by 40%.
Claim this, or a lesser amount, as your refund of investment tax credit on line II.

Part 14 – Calculation of refund of investment tax credits for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined at line 101 on page 2.

Credit balance before refund (amount Q from Part 11 on page 5) . . . . ________ JJ

Amount J from Part 10 on page 5 . . . . ________ KK

Subtract: Lesser of amounts JJ and KK above . . . . ________ LL

Net amount (if negative, enter "0") . . . . ________ MM

Amount M from Part 10 on page 5 . . . . ________ NN

Lesser of amounts MM and NN ________ x 40% . . . . ________ OO

Add: Amount LL above . . . . ________ PP

Refund of investment tax credit (amount OO plus PP) . . . . ________ QQ
Enter QQ, or a lesser amount, on line 610 in Part 11 and also on line 780 of the T2 return.

Part 15 – Calculating the recapture of investment tax credits for corporations and corporate partnerships – SR&ED

You will have a recapture of investment tax credit in a year when all of the following conditions are met:

- you acquired a particular property in the current year or in any of the 10 preceding taxation years;
- you claimed the cost of the particular property as a qualified expenditure for SR&ED on Form T661 or T665;
- the cost of the particular property was included in computing your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the particular property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property which incorporates the property previously referred to. If however, you sell the property to a non-arm's length purchaser who continues to use all the property, or substantially all for SR&ED, the recapture does not apply.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use. In the following taxation year, add the amount of the ITC recapture to the SR&ED expenditure pool.

For calculations 1 and 2, if you have more than one disposition, please complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all of the above conditions

	Amount of ITC you originally calculated in respect of the particular property that you acquired 700	The amount calculated using the ITC rate at the date of acquisition on either (if sold in an arm's length transaction) proceeds of disposition or (in any other case) the fair market value of the property 710	Lesser of amount 700 and amount 710
1.			
2.			
3.			
4.			
5.			

Subtotal (enter amount RR on line UU in Part 16 on page 8) ______ RR

Calculation 2 – Only if you acquired all or a portion of the qualified expenditure from another person under an agreement described in subsection 127(13), otherwise , enter nil at line SS on page 8.

	A The rate percentage that the transferee used in determining its ITC in respect of qualified expenditures under a subsection 127(13) agreement 720	**B** The proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition 730	**C** The amount, if any, already provided for in Calculation 1 (This allows for the situation where only a portion of the cost of a property is transferred in an agreement under subsection 127(13).) 740
1.			
2.			
3.			
4.			
5.			

Calculation 2 is continued on page 8.

Corporation's name	Business Number	Taxation year-end Year / Month / Day

Part 15 continued from page 7 – Calculating the recapture of investment tax credits for corporations and corporate partnerships – SR&ED

Calculation 2 continued from page 7 – Only if you acquired all or a portion of the qualified expenditure from another person under an agreement described in subsection 127(13), otherwise , enter nil on line SS.

	D The amount determined by the formula **AxB-C** (using the columns on page 7)	**E** The ITC earned by the transferee in respect of the qualified expeditures which were transferred **750**	**F** Lesser of amount D and amount E
1.			
2.			
3.			
4.			
5.			

Subtotal (enter amount SS on line VV in Part 16 below) ______ SS

Calculation 3

As a member of the partnership, you will report your share of the ITC of the partnership after the ITC has been reduced by the amount of the recapture. If this amount is a positive amount you will report it on line 550 in Part 11 on page 5. However, if the partnership does not have sufficient ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line TT below.

Corporate partner's share of the excess of ITC (amount to be reported on line WW in Part 16 below) **760** ______ TT

Part 16 – Total recapture of investment tax credit

Recaptured ITC for calculation 1 from line RR in Part 15 on page 7 . . . . ______ UU

Recaptured ITC for calculation 2 from line SS in Part 15 above . . . . ______ VV

Recaptured ITC for calculation 3 from line TT in Part 15 above . . . . ______ WW

Total recapture of investment tax credit – Total of lines UU, VV, and WW . . . . ______ XX
(Enter amount XX at line 602 on page 7 of the T2 return.)