



## INVESTMENT TAX CREDIT (INDIVIDUALS)

Use this form if:

- you earned an investment tax credit (ITC) during the current tax year or you are claiming a carryforward of ITC from a previous tax year. File one completed copy of Part A of this form with your income tax return for the year in which you acquire a property, make an expenditure, or have renounced exploration expenses;
- you have a recapture of ITC on a scientific research and experimental development (SR&ED) expenditure. File one completed copy of Part A of this form with your income tax return for the year in which you recapture an ITC on an SR&ED expenditure; or
- you are requesting an ITC carryback or you are claiming a refund for an ITC earned during the current tax year. File one completed copy of Part B of this form with your income tax return.

You have to file Form T2038(IND) no later than 12 months after the filing due date for the taxation year in which you acquired the property.

**Qualified property** includes certain new buildings, machinery, and equipment. You must acquire the property and use it for designated purposes such as logging, storing grain, producing industrial minerals, manufacturing or processing goods for sale or lease, farming, and fishing. It must be used in the specific areas listed on the back.

**Certified property** is a particular type of qualified property acquired primarily for use in a prescribed area. You will find a list of prescribed areas in Information Circular 78-4, *Investment Tax Credit Rates*, and its Special Release. We explain certified property on the back.

Contact us if you need help determining if your property qualifies.

**Qualified expenditure** – To be a qualified expenditure, the amount has to be for scientific research and experimental development (SR&ED). If you are claiming an investment tax credit for a qualified expenditure in SR&ED, or you have a recaptured amount for ITC previously claimed on an expenditure for SR&ED (Codes 3B and 4B), file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Expenditures Carried on in Canada*, or Form T665, *Simplified Claim for Scientific Research and Experimental Development (SR&ED) Expenditures Carried on in Canada* with your income tax return. You do not have to file Form T661 or T665 if you are claiming a credit based on a credit allocated to you by a partnership on a T5013 slip, *Statement of Partnership Income*. If you are a member of a partnership, you should only include your portion of the partnership's investment or expenditure. For more details, get the following publications:

- The guide to Form T661, *Claiming Scientific Research and Experimental Development Expenditures*;
- Information Circular 86-4, *Scientific Research and Experimental Development*; and
- Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.

### Renounced Canadian exploration expenses

Under changes proposed on October 18, 2000, certain renounced Canadian exploration expenses qualify for the ITC. You can claim this credit if you received a form T101, *Statement - Renunciation of Resource Expense, Reduction Of Amount Previously Renounced and Allocation of Assistance*, with an amount in box 128, or a T5013 slip, *Statement of Partnership Income* with an amount in box 138.

### How to calculate your ITC

The investment tax credit is based on a percentage of the investment cost (the cost of the property you purchased and the expenditures you made). If you received any reimbursement, inducement, and government or non-government assistance (including grants, subsidies, forgivable loans, or deduction from tax and investment allowances) that we can reasonably consider as related to the property or expenditure, you have to decrease your investment cost by the amount received. If you repay any of this assistance, add the repayment to the investment cost. Calculate the credit for any repayment using the same percentage you used for the original investment cost.

Determine your credit at the end of 2000. If the fiscal year-end of your business is any time in 2000, include any credit you earn on the property you buy during the calendar year.

**Properties acquired** – Properties are eligible for an ITC claim only when they are considered to be available for use. For an explanation of "available for use," see the *Business and Professional Income* guide, the *Farming Income* guide, the *Farming Income and NISA* guide, or the *Fishing Income* guide.

**Eligibility** – Investments and expenditures are eligible for an ITC only when the income from the related business is subject to Part I tax.

### How to claim your 2000 credit

You can use the credit that you earn in 2000 to reduce your federal tax and federal individual surtax for the year, for a previous year, or for a future year.

**Current year claim** – To calculate your claim to reduce your federal income tax for 2000, complete Section I of Part A of this form. Enter the amount of your credit on line 412 of your income tax return. If a partnership or trust made the investments, enter only your share. To determine your claim to reduce your federal individual surtax for the current year, complete Section II of Part A of this form. Enter the amount of your credit on line 468 of Schedule 1 of your income tax return.

**Carryback to previous years** – You can carry back the credit you earn in 2000 year for up to three years and use it to reduce your federal tax and federal individual surtax in those years. To do this, complete Part B of this form.

**Carryforward to future years** – You can carryforward, for up to 10 years, a credit you earn in 2000 that you did not use to reduce federal tax and individual surtax in 2000 or the three previous years, or a credit that was not refunded to you. However, you lose any credits you do not use within ten years of earning them.

## Property purchased or expenditures made before 2000

On your 2000 income tax return you may be able to apply unused ITC's from expenditures or acquisitions made from 1990 to 1999. To do this, complete Part A of this form.

## Refund of investment tax credit

If you do not use all of your investment tax credit to reduce your taxes in the year or in the three previous years, we may refund up to 40% of your unused credit to you in cash. You can only claim this refund in the year you buy property or make an expenditure that qualifies for the credit, unless the available-for-use rules, or other rules deeming the expenditure to have been made in a subsequent year, apply. To claim a refund of ITC, complete Part B of this form. Enter this amount on line 454 of your income tax return. If a partnership or trust made the investments, enter only your share of the amount.

## Adjustments

The credit you claim or that we refund to you for 2000 reduces the capital cost of the property. Any 2000 credit you carry back to a previous year will also reduce the capital cost of the property. Make this adjustment in 2001. This adjustment reduces the capital cost allowance you can claim for the property. It also affects your capital gain when you dispose of the property. You might have claimed a credit or received a refund for 2000 for a property that you already disposed of. In addition, you might still have other property in the same class. If so, reduce the undepreciated capital cost of the class for 2001 by the amount of the credit you claimed or received as a refund. If, after the disposition, you do not have any property left in the same class, include in your 2001 income the amount of the credit you claimed or received as a refund. Report the amount as "Other income" on line 9600 if you are filing Form T2042, T1163, or T1164. Report it on line 8230 if you are filing Form T2032 or T2124.

## Other adjustments

A credit deducted or refunded will also reduce the balance in the SR&ED pool, the adjusted cost base (ACB) of an interest in a partnership, and the ACB of a capital interest in a trust in the next tax year.

## Partnership

If you are a member of a partnership, include only your part of the partnership investment or expenditure. An ITC earned by a partnership is usually allocated to a partner. However, an ITC earned on qualified scientific research and experimental development expenditures may not be allocated to a specified member of a partnership.

If you received an allocation of ITC from a partnership, use the credit and the rate to calculate your share of the investment cost or expenditure. Enter this cost or expenditure on the line corresponding to the appropriate rate.

## ITC – Investment or expenditures, percentages and codes

Review the codes shown below and use the one that applies to you in Section I of Part A of this form.

Type of investment or expenditure	Specified percentage	Code
<b>Certain certified property</b> – see Note 1 below.	30%	3A
<b>Qualified expenditures for SR&amp;ED carried out in the following specific areas:</b> <ul style="list-style-type: none"><li>Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, or the Gaspé Peninsula: (See Note 2 below); or</li><li>any other area in Canada.</li></ul>	20%	3B
	20%	4B
<b>Qualified property acquired after 1994, for use in the following specific areas:</b> <ul style="list-style-type: none"><li>Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, or the Gaspé Peninsula, or a prescribed offshore region. (See Note 3 below).</li></ul>	10%	12
<b>Renounced Canadian exploration expenses</b> – see Note 4 below.	15%	5

### Notes

**1 – Certified property** must be part of a facility as defined under the *Regional Development Incentives Act*, that was acquired primarily for your use in a prescribed area. It must also meet one of the following conditions:

- you acquired it under a written agreement entered into before February 22, 1994;
- it was under construction by or for you on that date;
- it is machinery or equipment that will be a fixed and integral part of the property under construction by or for you on that date; or
- it has not been used or acquired for lease or for any purpose whatsoever before it was acquired by you.

The 30% rate may also be available for certified property that you acquired after 1994 and before 1996. This rate will apply if:

- you acquired the property for use in a project that was substantially advanced by you or for you, as evidenced in writing, before February 22, 1994, and
- construction on the project by you or on your behalf began before 1995.

**2 – For qualified expenditures** incurred after 1994, the rate is 20%.

However, for the Atlantic Provinces and the Gaspé Peninsula, qualified expenditures incurred under an agreement entered into before February 22, 1994, will still qualify for a 30% rate.

**3 – Qualified property** you acquired under an agreement entered into before February 22, 1994, will still qualify for a 15% rate.

**4 – For Canadian exploration expenses renounced** to an individual by a corporation pursuant to a flow-through share agreement entered into after October 17, 2000, the rate is 15%. Expenses must have been incurred by the corporation after October 17, 2000, and before January 1, 2004.

### Additional information

For details about recapture of ITC, and for other information about ITCs, visit our website at: [www.ccra-adrc.gc.ca](http://www.ccra-adrc.gc.ca), or get the following publications:

- Interpretation Bulletin IT-411, *Meaning of Construction*; and
- Information Circular IC 78-4, *Investment Tax Credit Rates*, and its Special Release.

Part A – Calculating an investment tax credit (ITC) expenditure

Section I – Calculating an ITC – current tax year – Tick the appropriate box.

Code 3A <input type="checkbox"/>	(Note 1 on previous page)	Total investment – enter in box 6710	}	6710	x .30 =	
Code 3B <input type="checkbox"/>	(Note 2 on previous page)	Total expenditure – enter in box 6710				
Code 3B <input type="checkbox"/>	<b>Incurred after 1994</b> (Note 2 on previous page)	Total expenditure – enter in box 6712	}	6712	x .20 =	+
Code 4B <input type="checkbox"/>	(Note 2 on previous page)	Total expenditure – enter in box 6712				
Code 12 <input type="checkbox"/>	<b>Acquired after 1994</b>	Total investment – enter in box 6714		6714	x .10 =	+
Code 12 <input type="checkbox"/>	(Note 3 on previous page)	Total investment – enter in box 6716		6716	x .15 =	+
<b>Total current-year refundable credits</b>		Enter the amount from line A in Column 2 on the back			=	
Code 5 <input type="checkbox"/>	(Note 4 on previous page)	Total expense – enter in box 6717		6717	x .15 =	
<b>Total current-year non-refundable credits</b>		Enter the amount from line B in Column 3 on the back				

Recapture of ITC on scientific research and experimental development expenditures

Amount of expenditure on which ITC is recaptured at 30%. (See "Qualified expenditure" on page 1). Do not enter more than the amount of the original expenditure.	6711	x .30 =	+		(i)
Amount of expenditure on which ITC is recaptured at 20%. (See "Qualified expenditure" on page 1). Do not enter more than the amount of the original expenditure.	6713	x .20 =	+		(ii)
<b>Total of recaptured credits</b> – Line (i) plus line (ii). Add the amount on line (iii) to the amount on line 406 of your income tax return			=		(iii)

Calculating an allowable claim

Enter the "Total credit available" from column 5 on the back					C
Federal tax (from line 406 of your income tax return)					
<b>Minus:</b> Federal political contribution tax credit (from line 410 of your income tax return)					
Subtotal					
<b>Minus:</b> Labour-sponsored funds tax credit (from line 414 of your income tax return)					
Subtotal					D

In column 6 on the back, you can claim an amount up to but not more than line C or D, whichever is less. Enter the same amount as your investment tax credit claim on line 412 of your income tax return, or line 1120 on T3 Schedule 11. If you are subject to alternative minimum tax (AMT), enter "0" in column 6 and proceed to "Calculating an allowable claim if alternative minimum tax (AMT) applies," below.

Section II – Calculating additional ITC to deduct from federal individual surtax

Enter the "Total credit available" from column 5 on the back					
<b>Minus:</b> "Current-year claim" from column 6 on the back					
Subtotal					E
Amount from line 30 on Schedule 1 of your income tax return or line 1126 on T3 Schedule 11					F

In column 8 on the back, you can claim an amount up to but not more than line E or F, whichever is less. Enter the same amount as your additional investment tax credit on line 468 on Schedule 1 of your income tax return, or on line 1127 on T3 Schedule 11.

Calculating an allowable claim if alternative minimum tax (AMT) applies

Enter the "Total credit available" from column 5 on the back					G
Enter the amount from line D					
<b>Minus:</b> "Minimum amount" from line 47 of Form T691					
Subtotal – if negative, enter "0"					H

In column 7 on the back, you can claim an amount up to but not more than line G or H, whichever is less. Enter the same amount as your investment tax credit claim on line 412 of your income tax return, or line 1120 on T3 Schedule 11.

Calculating additional ITC to deduct from federal individual surtax when AMT applies

**Note:** The instructions at line 468 on Schedule 1 tell you to enter the amount from Section II of Form T2038(IND). This does not apply to you if you are subject to AMT. If you are subject to AMT, the amount to enter at line 468 on Schedule 1 is the lesser of line I or J as indicated below.

Credit available – column 5 minus column 7 on the back					I
Amount from line 30 on Schedule 1 of your income tax return, or line 1252 on T3 Schedule 12					J

In column 8 on the back, you can claim an amount up to but not more than line I or J, whichever is less. Enter the same amount as your additional investment tax credit on line 468 on Schedule 1 of your income tax return, or line 1253 on T3 Schedule 12.

**Part B – Calculating a carryback and refund of investment tax credit**

**Investment tax credit available for carryback**

Complete this section to determine the balance of credit available for carryback to previous tax years.

Total current-year credit available (column 5 minus column 1 below) ..... \_\_\_\_\_

**Minus:** Current-year credit applicable\*

The maximum amounts **you could have claimed** in column 6, plus column 7, plus column 8, minus column 1 below (if negative, enter "0") ..... - \_\_\_\_\_

**Total credit available for carryback** ..... = \_\_\_\_\_ **K**

\* To arrive at the amount available to carry back, you first have to apply your credit to the fullest extent in the current year, whether you claimed all of it or not. This means that, before determining the amount available to carry back, you first have to reduce your federal tax for the current year by the maximum amounts you could have claimed at columns 6, 7, and 8, whether you claimed the maximums or not.

**Investment tax credit carryback request**

Complete this section to request a carryback of the ITC you earned in the current tax year. The carryback provisions allow you to apply a current-year credit against the total of your federal tax and federal individual surtax for any of the three previous tax years. The credit you apply to a previous year cannot be more than the total of your federal tax and your federal individual surtax for that year.

You have to deduct any amount of the refundable ITC designated as a carryback when you calculate your ITC refund and the balance to carry forward to tax years that follow.

To request a carryback, complete this section and attach one copy of this form to your current-year income tax return.

**Note: We do not refund an amount you designate as a carryback in the current year. Do not enter the amount on your income tax return.**

Year

Third previous tax year ..... Year **6720** \_\_\_\_\_ ●

The amount on line K to apply to: Second previous tax year ..... Year **6721** \_\_\_\_\_ ●

First previous tax year ..... Year **6722** \_\_\_\_\_ ●

Total credit designated for carryback (not more than amount K above) ..... \_\_\_\_\_ **L**

**Enter the total of lines L and N in Column 9 below.**

\_\_\_\_\_ Date **6724** Year \_\_\_\_\_ Month \_\_\_\_\_ Day \_\_\_\_\_

Signature

**Investment tax credit available for refund**

Complete this section to determine the balance of credit available for refund.

Total current-year refundable credit available (column 2 minus column 4 below) ..... \_\_\_\_\_

**Minus:**

Current-year credit claim (column 6, plus column 7, plus column 8, minus column 1 below) \_\_\_\_\_

Total amount of ITC being carried back (amount L above) ..... + \_\_\_\_\_

Subtotal ..... = \_\_\_\_\_

**Minus:** Current-year non-refundable credit (column 3) ..... - \_\_\_\_\_

Total (If negative enter "0") ..... = \_\_\_\_\_ **M**

**Total credit available for refund** ..... = \_\_\_\_\_ **M**

**Calculating a refund of investment tax credit**

Complete this section to calculate a refund of ITC that you earned in the current year. You have to deduct any amounts you claim as a refund when you calculate the balance to carry forward to tax years that follow.

Investment tax credit available for refund (amount M above) ..... \_\_\_\_\_

Designated refund of investment tax credit (not to be more than "Total credit available for refund," amount M above) ..... \_\_\_\_\_

Refundable rate ..... X .40

Refund of investment tax credit ..... \_\_\_\_\_ **N**

Enter the amount from line N on line 454 on page 4 of your income tax return or on line 88 of a T3 *Trust Income Tax and Information Return*.

**Enter total of lines L and N in column 9 below**

1	2	3	4	5	6	7	8	9	10
Balance of credits carried forward	Current-year refundable credit (A on the front)	Current-year non-refundable credit* (B on the front)	Adjustments**	Total credit available (Col.1 plus Col. 2 plus Col.3 minus Col. 4)	Current-year claim	Current-year claim (AMT)	Additional claim applied to federal individual surtax	Credit claim – Other (line L plus line N above)	Balance carried forward (column 5 minus columns 6, 7, 8, and 9)
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

\* This credit will reduce the Canadian exploration expense pool in the year following the year in which the credit is claimed.

\*\* Testamentary trusts filing Form T2038, enter the amount of ITC allocated to beneficiaries in box 40 of T3 slips.