



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 this form no later than 12 months after the filing due date for the tax year in which you acquired the property or made the expenditure.

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

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 next page.

Qualified expenditure

To be a qualified expenditure, the amount has to be for SR&ED. If you are claiming an ITC for a qualified expenditure in SR&ED, or you have a recaptured amount for an 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 partner of a partnership, you should only include your portion of the partnership's investment or expenditure. For more details, see 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

Certain renounced Canadian exploration expenses qualify for the ITC. You can claim this credit if you received 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 ITC 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, or government or non-government assistance (including grants, subsidies, forgivable loans, or deductions from tax and investment allowances) that we can reasonably consider to relate to the property or expenditure, you have to decrease your investment cost by the amount you 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 2002. If the fiscal year-end of your business is in 2002, 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 2002 credit

You can use the credit that you earn in 2002 to reduce your federal tax and, if applicable, your federal individual surtax for a previous year, or to reduce your federal tax for 2002 or for a future year. See also "Refund of ITC" on the back of this page.

Current year claim – To calculate your claim to reduce your federal income tax for 2002, complete Part A of this form. Enter the amount of your credit on line 412 of Schedule 1 of your income tax return. If a partnership or trust made the investments, enter only your share.

Carryback to previous years – You can carry back the credit you earn in 2002 for up to three years and use it to reduce your federal tax and, if applicable, your federal individual surtax in those years. To do this, complete Part B of this form.

Carryforward to future years – You can carry forward for up to 10 years a credit you earn in 2002 that was not refunded to you, or that you did not use to reduce federal tax in 2002, or federal tax and, if applicable, your federal individual surtax in the three previous years. However, you lose any credits you do not use within 10 years of earning them.

Property purchased or expenditures made before 2002

You may be able to apply unused ITC's from expenditures or acquisitions made from 1992 to 2001 on your 2002 income tax return. To do this, complete Part A of this form.

Refund of ITC

If you do not use all of your ITC 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 when 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 2002 reduces the capital cost of the property. Any 2002 credit you carry back to a previous year will also reduce the capital cost of the property. Make this adjustment in 2003. 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 2002 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 2003 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 2003 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 Forms T2042, T1163, or T1164. Report it on line 8230 if you are filing Forms 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 partner 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 SR&ED expenditures may not be allocated to a specified partner 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 Part A of this form.

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

Notes

1 – Certified property must be part of a facility as defined in the *Regional Development Incentives Act*, which you acquired primarily for 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 the 30% rate.

3 – Qualified property you acquired under an agreement entered into before February 22, 1994, will still qualify for the 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%. The corporation must have incurred the expenses after October 17, 2000, and before January 1, 2004.

Additional information

For details about the recapture of ITC's, and for other information about ITCs, visit our Web site at www.ccr.gc.ca or see the following publications:

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

INVESTMENT TAX CREDIT (INDIVIDUALS)

Part A – Calculating an investment tax credit (ITC)

Calculating an ITC for the 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"/>	Incurred after 1994 (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"/>	Acquired after 1994	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 =	+ _____

Total current-year refundable credits = _____ **A**
 Enter the total from line A in column 2 on the back of the form.

Code 5 (Note 4 on previous page) Total expense – enter in box 6717 **6717** _____ x .15 = _____ **B**

Total current-year non-refundable credits – Enter the total from line B in column 3 on the back of the form.

Recapture of ITC on SR & ED expenditures

Amount of expenditure on which ITC is recaptured at 30%. (see "Qualified expenditure" on the first page). 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 the first page). Do not enter more than the amount of the original expenditure **6713** _____ x .20 = **+** _____ (ii)

Total of recaptured credits – Line (i) plus line (ii) = _____ (iii)

Add the amount on line (iii) to the amount on line 406 on Schedule 1 of your income tax return.

Calculating an allowable claim

Enter the "Total credit available" from column 5 on the back of the form _____ **C**

Federal tax (from line 406 on Schedule 1 of your income tax return) _____

Minus: Federal political contribution tax credit (from line 410 on Schedule 1 of your income tax return) - _____

Subtotal = _____

Minus: Labour-sponsored funds tax credit (from line 414 on Schedule 1 of your income tax return) - _____

Subtotal = _____ **D**

In column 6 on the back of the form, you can claim an amount up to but not more than line C or D, whichever is less. Enter the same amount as your ITC claim on line 412 of Schedule 1 of your income tax return, or line 34 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.

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

Enter the "Total credit available" from column 5 on the back of the form _____ **E**

Enter the amount from line D _____

Minus: "Minimum amount" from line 59 of Form T691 - _____

Subtotal – if negative, enter "0" = _____ **F**

In column 7 on the back of the form, you can claim an amount up to but not more than line E or F, whichever is less. Enter the same amount as your ITC claim on line 412 of Schedule 1 of your income tax return, or on line 34 on T3 Schedule 11.

Part B – Calculating a carryback and refund of investment tax credit (ITC)

ITC 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, **minus** column 1 below
(if negative, enter "0") - _____

Total credit available for carryback = _____ **G**

* 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 and 7, whether you claimed the maximum or not.

ITC carryback request

Complete this section to request a carryback of the ITC you earned in the current tax year. The carry-back provisions allow you to apply a current-year credit against the total of your federal tax and, if applicable, your 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, if applicable, 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	6720	_____	_____	_____
The amount on line G to apply to:					
Second previous tax year	6721	_____	_____	_____
First previous tax year	6722	_____	_____	_____
Total credit designated for carryback (not more than amount G above)		_____	_____	_____ H

Enter the total of lines H and J in column 8 below.

Date	Year	Month	Day
6724	_____	_____	_____

ITC 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, **minus** column 1 below) _____

Total amount of ITC being carried back (amount H above) + _____

Subtotal = _____

Minus: Current-year non-refundable credit (column 3) - _____

Total (If negative enter "0") = _____ **I**

Total credit available for refund = _____ **I**

Calculating an ITC refund

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.

ITC available for refund (amount I above) _____

Designated refund of ITC
(cannot be more than "Total credit available for refund," amount I above) _____

Refundable rate x .40

Refund of ITC _____ **J**

Enter the amount from line J on line 454 of your income tax return, or on line 88 of a T3 Trust Income Tax and Information Return.

Enter the total of lines H and J in column 8 below.

1	2	3	4	5	6	7	8	9
Balance of credits carried forward	Current-year refundable credit (A on the front of the form)	Current-year non-refundable credit* (B on the front of the form)	Adjustments**	Total credit available (col. 1 plus col. 2 plus col. 3 minus col. 4)	Current-year claim	Current-year claim (AMT)	Credit claim – Other (line H plus line J above)	Balance carried forward (col. 5 minus col. 6, col. 7 and col. 8)
\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____

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

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