

## AGREEMENT AMONG ASSOCIATED CORPORATIONS (for taxation years beginning after 1995)

### General

In this form, "you" or "your corporation" refers to the corporation filing this form with its *T2 Corporation Income Tax Return*.

As an associated Canadian-controlled private corporation, use this form to:

- identify the associated corporations;
- allocate the annual \$ 200,000 business limit for claiming the small business deduction;
- allocate the annual expenditure limit for calculating the investment tax credit at the 35% rate on qualified expenditures for scientific research and experimental development (SR&ED) expenditures;
- provide the previous year's taxable incomes of the associated corporations to determine whether or not the corporation is eligible for:
  - the 35% investment tax credit rate and the 100% refundable tax credit rate on qualifying SR&ED expenditures
  - the 40% refundable investment tax credit rate; or
  - the one month extension of the date that the balance of tax is due: and
- identify the gross Part I.3 tax from the preceding year for the purpose of calculating the reduction to the business limit.

One completed copy of the agreement, signed on behalf of every corporation of the group is to be filed by each corporation of the group with its T2 return for the taxation year.

You have to file a new agreement for each taxation year. If you do not file an agreement within 30 days of receiving a written request to do so, the Minister of National Revenue will determine the allocations.

If there are more than 6 corporations in the group, attach additional schedules as required.

For more information, see the section called "Agreement Among Associated Corporations" in the *T2 Corporation Income Tax Guide*.

### Special rules

If the corporation's taxation year is shorter than 51 weeks, prorate the business limit and the expenditure limit, based on the number of days in the taxation year divided by 365.

Special rules also apply to determine the business limit and the expenditure limit for associated corporations that have more than one taxation year ending in the same calendar year.

### Part A: Allocation of the business limit for taxation year(s) 19\_\_

**Column 1:** Enter the names of all corporations in the group.

**Column 2:** Enter the corporation's account number or Business Number (BN).

**Column 3:** Enter the corporation's taxable income for the preceding taxation year. If any corporation in the group has more than one taxation year ending in either the current or preceding calendar year, enter the total of the taxable income(s) for the taxation year(s) ending in the calendar year preceding the year your corporation's taxation year ends.

**Column 4:** Enter the corporation's reduced business limit for the preceding taxation year. If any corporation in the group has more than one taxation year ending in either the current or preceding calendar year, enter the total of the reduced business limit(s) for the taxation year(s) ending in the calendar year preceding the year your corporation's taxation year ends.

**Column 5:** Allocate the business limit for the year.

**Column 6:** Enter the total gross Part I.3 tax for each corporation in the group for their last taxation year(s) ending in the preceding calendar year, before deducting the surtax credits. If the last taxation year ending in the preceding calendar year of any associated corporation is less than 51 weeks, then, for the purposes of computing the business limit reduction, its Part I.3 tax for such year must be increased to reflect a full year's tax liability.

**Note:** Did the last taxation year that ended in the preceding calendar year, for **any** corporation in the group, begin before February 28, 1995?    Yes     No

If yes, enter in column 6 the gross Part I.3 tax calculated at the rate of 0.2% for the whole taxation year, for each corporation in the group whose last taxation year ending in the preceding calendar year began before February 28, 1995.

1 Names of all corporations in the group	2 Corporation account number or Business Number (BN)	3 Taxable income of preceding taxation year *	4 Reduced business limit of preceding year	5 Allocation of business limit for the year	6 Gross Part I.3 tax for business limit reduction
		\$	\$	\$	\$
<b>TOTALS</b>		\$	\$	\$ 200,000	\$

\* If the taxable income for the preceding taxation year is nil or a loss, enter nil in column 3.

If the taxation year of the corporation filing this form is less than 51 weeks, enter the prorated business limit in this box.

\$

**Part B: Allocation of expenditure limit for taxation year(s) 19 \_\_**

**Column 1:** List all the corporations in the group in the same order as on page 1.

**Column 2:** Enter the taxable income for each corporation for their last taxation year ending in the preceding calendar year.

**Column 3:** For corporations whose taxation year was a full year, enter the taxable incomes from column 2. For corporations whose last taxation year ending in the preceding calendar year was less than 51 weeks, gross-up the taxable income to a full year. (Divide 365 by the number of days in the taxation year. Multiply this number by the taxable income.)

**Column 4:** Enter the reduced business limit of each corporation for their last taxation year ending in the previous calendar year.

**Column 5:** Each corporation, (particular corporation) filing this form with its T2 return, should enter the following information:

- 1) the reduced business limit used to determine your small business deduction in the particular year;
- 2) the reduced business limit for each associated corporation, for the first taxation year ending in the calendar year in which your corporation's taxation year ends.

The business limits of those corporations whose taxation year is less than 51 weeks, must be grossed-up by the ratio of 365 divided by the number of days in the taxation year.

**Column 6:** Enter the current year allocation of the expenditure limit for each corporation.

1 Names of all corporations in the group	Last taxation year ending in the preceding calendar year			Current taxation year	
	2 Taxable income *	3 Grossed-up taxable income	4 Reduced business limit	5 Grossed-up reduced business limit	6 Allocation of expenditure limit for the year
	\$	\$	\$	\$	\$
* If the taxable income for the last taxation year ending in the preceding calendar year is nil or a loss, enter nil in column 2.	TOTALS	\$	\$	\$	\$

**Part C: Agreement**

It is hereby agreed that the \$200,000 business limit for the year and /or the expenditure limit for the year is to be allocated as shown above and on page 1.

<u>Name of corporation</u>	<u>Signature of authorized officer</u>	<u>Position or office</u>	<u>Date</u>