

INVESTMENT TAX CREDIT - CORPORATIONS (for taxation years starting after 1995)

Note: Use T2038 (CORP)(E) Rev. 93 if your taxation year begins before 1994. Use Rev.95 if your taxation year begins before 1996.

General Information

1. Use this form for 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 *Income Tax Act*; or f) is requesting a credit carry-back.
2. References to parts, sections, and subsections on this form are to the *Income Tax Act* and the *Income Tax Regulations*. References to Interpretation Bulletins and Information Circulars are to the latest version.
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 *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 form with the corporation's *T2 Corporation Income Tax Return*.
6. For more information on investment tax credits, see the section called "Investment Tax Credit – Form T2038(CORP)" in the *T2 Corporation Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and 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*, and T4088, *Claiming Scientific Research and Experimental Development Expenditures* (guide to Form T661).

Detailed Information

1. For the purpose of this form, "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 (ITC) 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 SR&ED pool 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" to be eligible for an investment tax credit.
4. Qualified expenditures must be identified by the claimant on Forms T661 and T2038 no later than 12 months after the claimant's income tax return is due for the taxation year in which the expenditures were incurred. Effective February 19, 1997, capital costs and expenditures for property qualifying for an investment tax credit (ITC) will be restricted to those costs and expenditures that are identified on Form T2038 (CORP), which must be filed by May 31, 1997, or twelve months after the claimant's income tax return is due for the taxation year in which the expenditures were incurred, whichever is later. A request for an adjustment for an ITC for taxation years ending before December 1, 1995 must be made by May 31, 1997.
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 is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151.

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Name of corporation	Account / Business Number	Taxation year-end Day Month Year
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Part 2 – Investments or Expenditures, Percentages, and Codes

	Specified percentage	Code
Qualified property acquired primarily for use in:		
a) Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula or a prescribed offshore region.	10%	14
b) under transitional provisions for property described in a) above, and is either:	15%	12
• acquired by the taxpayer under a written agreement entered into before February 22, 1994;		
• under construction by the taxpayer or on his behalf on February 22, 1994; or		
• property that was machinery or equipment that will be a fixed and integral part of property under construction by or on behalf of the taxpayer on February 22, 1994.		
c) Certified property	30%	3A

Part 3 – Determination of a Qualifying Corporation

Qualified expenditures for scientific research and experimental development (SR&ED) incurred by:

- a) A corporation that is a Canadian-controlled private corporation (CCPC) throughout the current taxation year and;
- (i) is not associated with any other corporations, enter your taxable income for the preceding taxation year _____ A
 - (ii) is associated with other corporations, enter the total taxable incomes from column 2 on page 2 of Form T2013 _____ B
- Enter amount from line A or B (whichever is applicable) _____ 1
- (iii) is not associated with any other corporations, enter your reduced business limit for the preceding taxation year (as determined under section 125) . . . _____ C
 - (iv) is associated with other corporations, enter the total reduced business limits from column (4) on page 2 of Form T2013. _____ D
- Enter amount from line C or D (whichever is applicable) _____ 2
- Line 1 **minus** line 2 (if negative, enter zero). 467 _____
 (if the result is zero, you are a qualifying corporation)

	Specified percentage	Code
If you are a qualifying corporation, code 11B will apply to you on at least a portion of qualified expenditures. . .	35%	11B
If the current year's qualified expenditures are more than the corporation's expenditure limit, (see Part 6, page 4) the excess is eligible for an investment tax credit calculated at the 20% rate.		
b) A corporation that is not a CCPC throughout the current taxation year that incurred qualified expenditures for SR&ED in:		
(i) any area in Canada after 1995	20%	3B
(ii) Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick or the Gaspé Peninsula, for certain expenditures incurred pursuant to an agreement in writing entered into by the taxpayer before February 22, 1994	30%	4B
(iii) any other area in Canada before 1995.	20%	4B

Part 4 – Components of the SR&ED Expenditure Limit Calculation

If the corporation is:

- i) not associated with any other corporations, enter the amount from line A on page 3 (if the preceding taxation year is less than 51 weeks, this amount must be grossed-up by the ratio of 365 divided by the number of days in the preceding taxation year) E
 - ii) associated with other corporations, enter the total of the grossed-up taxable incomes from column 3 on page 2 of Form T2013 F
- Enter amount from line E or F (whichever applies) **468** _____
- iii) not associated with any other corporations, enter your reduced business limit for the current taxation year (as determined under section 125) – (if the current taxation year is less than 51 weeks, this amount must be grossed-up by the ratio of 365 divided by the number of days in the current taxation year) G
 - iv) associated with other corporations, enter the total of the grossed-up reduced business limit from column 5 on page 2 of Form T2013 H
- Enter amount from line G or H (whichever applies) **470** _____

Part 5 – Qualified Expenditures for SR&ED

- Current expenditures I
 - Capital expenditures J
 - Repayments made in the year K
- Total (this must equal the amount from line 296 on form T661) **475** _____

Part 6 – Calculation of SR&ED Expenditure Limit for CCPC Throughout the Current Taxation Year

- \$4,000,000
- Less:** the greater of line 468 above and \$200,000 X 10 = _____
- Excess (if negative, enter nil) L
- Line L _____ X $\frac{\text{Line 470}}{\$200,000}$ _____ = _____ *M
- Less:** if you are associated with one or more corporations, enter the amount of the expenditure limit allocated to the other corporations as provided for on page 2 of Form T2013 **472** _____
- Your share of the SR&ED expenditure limit N
- Where the taxation year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:
- Line N _____ X $\frac{\text{number of days in the taxation year}}{365}$ = _____ O
- Your SR&ED expenditure limit for the year (enter line N or line O, whichever applies) **474** _____

* NOTE: amount M cannot be greater than \$2,000,000.

Part 7 – Calculation of Investment Tax Credits on SR&ED

- The lesser of: current expenditures (line I above) and line 474 above * **460** X 35% = _____ P
 - Line I **minus** line 474 (if negative, enter nil) X 20% = _____ Q
 - Line 474 **minus** line I (if negative, enter nil) R
 - The lesser of: capital expenditures (line J above) and line R above * **463** X 35% = _____ S
 - Line J **minus** line R (if negative, enter nil) X 20% = _____ T
- Repayments (amount K above) _____
- (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.)
- _____ X 35% = _____
 - _____ X 30% = _____
 - _____ X 20% = _____
 - Total **473** _____ U
- Total current year SR & ED Investment Tax Credits (total of lines P, Q, S, T and U) **473** _____

* For corporations that are not CCPC's throughout the year, enter nil in lines P and S.

Part 8 – Calculation of Total Current-Year Investment Tax Credits

(Refer to Part 1 on page 2)

Qualified Property	_____	(Code 12) x 15% =	_____	V
Qualified Property	_____	(Code 14) x 10% =	_____	W
Certified Property	_____	(Code 3A) x 30% =	_____	X
Subtotal	_____			
Plus: Amount from line 475 in Part 5 on page 4	_____			
Total	450			
Plus: Partnership allocations (see note 5 on page 1 for details)			464	
Total current year investment tax credits (total of lines 473, V, W, X, and 464)			452	

Part 9 – Calculation of Refund of Investment Tax Credits for Qualifying Corporations or an Excluded Corporation

Complete this box only if you are a qualifying corporation as determined at line 467 on page 3 or an excluded corporation as defined in subsection 127.1(2).

Credit balance before refund from Part 11 on page 6	_____	Y
Current year investment tax credits (line 452 above minus amount U from Part 7 on page 4) ..	_____	Z
Refundable credits (lesser of Y and Z above) *	_____	AA
Amount P from Part 7 on page 4	_____	BB
Less: Lesser of amounts AA and BB	_____	CC
Net amount (if negative, enter nil)	_____	DD
Amount DD _____ x 40%	_____	EE
Add: Amount CC above	_____	FF
Refund of investment tax credit (Amount EE plus FF, enter this or a lesser amount on line 146 of your T2 Return and in Part 11 on page 6)	_____	GG

* If you are 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 at line GG.

Part 10 – Calculation of Refund of Investment Tax Credits for CCPCs That Are Not Qualifying Corporations

Complete this box only if you are a CCPC that is not a qualifying corporation as determined at line 467 on page 3.

Credit balance before refund from Part 11 on page 6	_____	HH
Amount P from Part 7 on page 4	_____	II
Less: Lesser of amounts HH and II above	_____	JJ
Net amount (if negative, enter nil)	_____	KK
Amount S from Part 7 on page 4	_____	LL
Lesser of amounts KK and LL _____ x 40%	_____	MM
Add: Amount JJ above	_____	NN
Refund of investment tax credit (Amount MM plus NN, enter this or a lesser amount on line 146 of your T2 return and in Part 11 on page 6)	_____	OO

Name of corporation	Account / Business Number	Taxation year end Day Month Year
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Part 11 – Calculation of Current-Year Credit and Account Balances

Investment tax credit at end of preceding taxation year		_____
Deduct: Credit expired after 10 years		_____
Investment tax credit at beginning of taxation year	440	_____
Add: Total current-year credit from line 452 in Part 8 on page 5		_____
Credit transferred upon amalgamation or wind-up of subsidiary	442	_____
(Note: Certain restrictions apply to amalgamation and wind-up investment tax credits.*)		Subtotal _____
Deduct: Credit deducted from Part 1 tax (enter on line 221 of your T2 return)	454	_____
Credit carried back to the previous year(s) (see Part 12 below)	456	_____
Credit deemed as a remittance of co-op corporations only	444	_____
Credit transferred to offset Part VII tax liability	446	_____
		Subtotal _____
Credit balance before refund		_____
Deduct: Refund of credit claimed (amount GG or OO from page 5)		_____
Investment tax credit closing balance	458	=====

* For details, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*.

Part 12 – Request for Carryback of Credit

- Complete this area to request a carry back of investment tax credit earned in the current year.
- You can apply a credit earned in the taxation year against Part I tax payable in any of the three preceding taxation years.
- You can carry back the credit only if the credit was not deductible in the year in which the corporation earned it.
- You can apply refunds arising from the credit carry back adjustments to amounts owing for this or any other taxation year.

I hereby request a carry-back of the credit the corporation earned in the current taxation year, to be applied as follows:

3rd preceding taxation year	19 ____		_____
2nd preceding taxation year	19 ____		_____
1st preceding taxation year	19 ____		_____
Total			=====

Refund code – enter one of the following:

- 1 – Refund overpayment
- 2 – Transfer overpayment to a later year's instalment account
- 3 – Apply to other liability (attach instructions)