



Ontario Tax Credit for Manufacturing and Processing (2022 and later tax years)

Corporation's name	Business number	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="3" style="text-align: center; border-bottom: 1px solid black;">Tax year-end</td> </tr> <tr> <td style="width: 33%; border-bottom: 1px solid black; text-align: center;">Year</td> <td style="width: 33%; border-bottom: 1px solid black; text-align: center;">Month</td> <td style="width: 34%; border-bottom: 1px solid black; text-align: center;">Day</td> </tr> </table>	Tax year-end			Year	Month	Day
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Year	Month	Day						

- Complete this schedule if your corporation had Ontario taxable income during the tax year and had eligible Canadian profits (ECP) from any of the following activities: manufacturing and processing, farming, fishing, logging, mining, generating electrical energy for sale, or producing steam for sale.
- You do not need to file Schedule 27, Calculation of Canadian Manufacturing and Processing Profits Deduction, if you are only eligible for the Ontario tax credit for manufacturing and processing.
- File this schedule with your T2 Corporation Income Tax Return.

Part 1 – Adjusted business income

Active business income minus active business losses of your corporation for the year ¹ (line 100 or line 120, whichever applies, of Schedule 27, if filed)	025	
Adjusted Crown royalties for the tax year (amount 5H in Part 5)	030	
Subtotal (line 025 plus line 030)		1A
Notional resource allowance for the tax year as determined in subsection 7(3) of Ontario Regulation 37/09 under the Taxation Act, 2007 (Ontario)	040	
Adjusted business income (amount 1A minus line 040) (if negative, enter "0")	050	

¹ This includes your share of active business income and active business loss for the fiscal period of each partnership of which your corporation was a member at any time in the tax year.

Small manufacturing corporations:

To qualify as a small manufacturer, your corporation has to meet the following requirements:

- The adjusted business income of your corporation for the year is \$250,000 or less
- The active business income from non-manufacturing and processing sources, including generating electrical energy for sale and producing steam for sale, cannot be greater than 20% of your corporation's adjusted business income. Active business income from manufacturing and processing sources includes income from farming, fishing, logging, or mining in Canada.

If your corporation meets both requirements, your ECP is equal to the adjusted business income for the year. Enter the amount from line 050 on line 075 in Part 2 of this schedule.

Part 2 – Ontario tax credit for manufacturing and processing

Eligible Canadian profits:

If you are a small manufacturing corporation, enter the amount from line 050 in Part 1 of this schedule on line 075.
 Otherwise, complete the following calculation:

Canadian manufacturing and processing profits (line 200 of Schedule 27)	2A
Canadian profits from generating electrical energy or producing steam for sale (line 210 of Schedule 27 minus amount 2A)	2B
Total Canadian farming, fishing, or logging income (line 150 in Part 3)	2C
Total Canadian mining income (amount 4A in Part 4)	2D
Total ECP (total of amounts 2A, 2B, 2C, and 2D)	075
Ontario adjusted small business income (amount 3A in Part 3 of Schedule 500, Ontario Corporation Tax Calculation) ²	2E
Excess (line 075 minus amount 2E, if negative, enter "0")	▶ 2F
Adjusted taxable income (line 360 of the T2 return plus line 030, minus line 040)	2G

For corporations resident in Canada, complete amounts 2H to 2J as applicable. Otherwise, enter "0" at amount 2K.

Ontario adjusted small business income (amount 2E) ²	2H
Amount 2G × $\left(1 - \frac{\text{Taxable income earned in all provinces and territories}^3}{\text{Total taxable income}} \right)$ =	2I ⁴
Aggregate investment income (line 440 of the T2 Return) ²	2J
Subtotal (total of amounts 2H, 2I, and 2J)	▶ 2K
Excess (amount 2G minus amount 2K) (if negative, enter "0")	▶ 2L
Income eligible for the Ontario tax credit for manufacturing and processing (least of amounts, line 050 in Part 1, amount 2F, or amount 2L)	2M

Ontario tax credit for manufacturing and processing:

Amount 2M × $\frac{\text{Taxable income for Ontario}^5}{\text{Taxable income for all provinces and territories}^3}$ × 1.5% = 2N

Enter amount 2N on line 406 of Schedule 5, Tax Calculation Supplementary – Corporations

² Applies only if your corporation was a Canadian-controlled private corporation throughout the tax year.
³ Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.
⁴ If negative, enter "0".
⁵ If your corporation had a permanent establishment only in Ontario, enter the amount from line 360 on page 3 of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

If you are not a small manufacturing corporation as described in Part 1, complete Parts 3 and 4 below.

For the purpose of Parts 3 and 4, the following terms apply:

- **ADJUBI** Adjusted business income: Enter the amount from line 130 in Part 3 of Schedule 27, if filed. If Schedule 27 has not been filed, see Part 3 of that schedule to calculate the adjusted business income.
- **CC** Cost of capital: See Part 4 of Schedule 27 to calculate the cost of capital for farming, fishing, logging, or industrial mining operations. For a farming operation, the cost of capital includes the cost of land, and/or the annual rental cost of the land, used by the corporation for its farming business.
- **MCC** Cost of manufacturing and processing capital: See Part 5 of Schedule 27 to calculate the cost of manufacturing and processing capital for farming, fishing, logging, or industrial mining operations.
- **LC** Cost of labour: See Part 6 of Schedule 27 to calculate the cost of labour for farming, fishing, logging, or industrial mining operations.
- **MLC** Cost of manufacturing and processing labour: See Part 7 of Schedule 27 to calculate the cost of manufacturing and processing labour for farming, fishing, logging, or industrial mining operations.

Part 3 – Corporations that have income from farming, fishing, or logging in Canada

Total Canadian farming, fishing, or logging income:

$$\text{ADJUBI } \mathbf{100} \times \left[\frac{\text{MCC } \mathbf{120}}{\text{CC } \mathbf{110}} + \frac{\text{MLC } \mathbf{140}}{\text{LC } \mathbf{130}} \right] = \mathbf{150}$$

Enter line 150 at amount 2C in Part 2.

Part 4 – Corporations that have income from mining in Canada

Mining profits under subparagraph 2(i) of subsection 33(7) of the Taxation Act, 2007 (Ontario) **175**

Complete the following calculation for industrial mining operations in Canada:⁶

$$\text{ADJUBI } \mathbf{200} \times \left[\frac{\text{MCC } \mathbf{220}}{\text{CC } \mathbf{210}} + \frac{\text{MLC } \mathbf{240}}{\text{LC } \mathbf{230}} \right] = \mathbf{250}$$

Total Canadian mining income (line 175 plus line 250) **4A**

Enter amount 4A at amount 2D in Part 2

⁶ Do not include income reported on line 175.

Part 5 – Adjusted Crown royalties for the tax year

Add the following amounts as defined under subsection 36(2) of the Taxation Act, 2007 (Ontario):

Provincial or territorial tax on income from mining operations, excluding amounts prescribed in subsection 108.1(2) of Ontario Regulation 183, as it applies under subsection 11.0.1(2) of the Corporations Tax Act (Ontario) 5A

A Crown charge⁷, paid or payable to the Crown⁸, or receivable by the Crown under subsections 11.0.1(3) or (5) of the Corporations Tax Act (Ontario) 5B

Adjustment to income where an operator, at any time in a tax year, disposes of or acquires production from a Canadian natural accumulation of petroleum or natural gas, an oil or gas well, or a mineral resource at less than or more than the fair market value under subsection 26(4.1) of the Corporations Tax Act (Ontario) 5C

Payments made under contract to reimburse Crown charges⁷ under paragraph 1 of subsection 26(7) of the Corporations Tax Act (Ontario) 5D

The corporation's share of amounts 5A and 5B incurred by a partnership of which the corporation is a majority interest partner under subsection 31(1.2) of the Corporations Tax Act (Ontario) 5E

Subtotal (total of amounts 5A to 5E) 5F

Amounts received under contract as reimbursements of Crown charges⁷ under paragraph 2 of subsection 26(7) of the Corporations Tax Act (Ontario) 5G

Adjusted Crown royalties for the tax year (amount 5F minus amount 5G) **5H**

Enter amount 5H at line 030 in Part 1.

⁷ **Crown charge** is an amount to which the Crown is entitled and that is, or can reasonably be considered to be a royalty, tax, lease rental, or bonus relating to the acquisition, development, or ownership of a Canadian resource property, or relating to the production in Canada from certain resource properties. Crown charge does not include a municipal or school tax or amounts prescribed in section 108.2 of Ontario Regulation 183 under the Corporations Tax Act (Ontario).

⁸ **Crown** refers to Her Majesty in right of Canada or of a province, an agent of Her Majesty in right of Canada or of a province, or a corporation, commission, or association that is controlled by Her Majesty in right of Canada or of a province, or by an agent of Her Majesty in right of Canada or of a province.