

**ONTARIO INNOVATION TAX CREDIT**
(2010 and later tax years)

Name of corporation	Business Number	Year	Tax year-end Month	Day
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- Use this schedule to claim an Ontario innovation tax credit (OITC). A qualifying corporation must:
 - have had a permanent establishment in Ontario during the tax year;
 - have carried on scientific research and experimental development (SR&ED) in Ontario during the tax year;
 - be eligible to claim a federal investment tax credit under section 127 of the federal *Income Tax Act* for its qualified expenditures; and
 - have filed Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*, in the tax year.
- The OITC is a 10% refundable tax credit based on the sum of the corporation's qualified expenditures incurred in Ontario and any eligible repayments.
- The OITC is available to a maximum annual expenditure limit of \$3 million. Associated corporations must share in the \$3 million expenditure limit.
- Effective January 1, 2010, qualifying corporations are eligible to claim the full OITC with a qualified expenditure limit of \$3 million where their specified capital amount or their federal taxable income for the previous tax year is not more than \$25 million and \$500,000, respectively. If one of these amounts is more than the respective threshold, the \$3 million limit is progressively reduced.
- Qualified expenditures include 100% of current expenditures and 40% of capital expenditures.
- A corporation can waive its eligibility for all or part of the OITC by completing Part 7 of this schedule.
- Expenditure limit, qualified expenditure, and eligible repayments are defined in subsections 96(3), 96(3.1), as well as 96(8) and 96(12) of the *Taxation Act, 2007* (Ontario), respectively.
- File this schedule with your *T2 Corporation Income Tax Return*.

Part 1 – Eligibility

1. Did the corporation have a permanent establishment in Ontario at any time during the tax year? **100** 1 Yes ☐ 2 No ☐
2. Was the corporation exempt from tax for the tax year under Part III of the *Taxation Act, 2007* (Ontario)? **105** 1 Yes ☐ 2 No ☐
3. Did the corporation carry on SR&ED in Ontario during the tax year? **110** 1 Yes ☐ 2 No ☐
4. Is the corporation eligible to claim an investment tax credit under section 127 of the federal *Income Tax Act* on qualified expenditures made in the tax year? **115** 1 Yes ☐ 2 No ☐
5. Did the corporation file Form T661 in the tax year? **120** 1 Yes ☐ 2 No ☐

If you answered **yes** to question 2 or **no** to question 1, 3, 4, or 5, you are **not eligible** for the Ontario innovation tax credit.

Part 2 – SR&ED qualified expenditure pool

Ontario qualified expenditures of a current nature **200** _____ A

Ontario qualified expenditures of a capital nature **205** _____ × 40% = **210** _____ B

SR&ED qualified expenditure pool * (amount A plus amount B) **215** _____ C

* The SR&ED expenditure pool is not reduced for amounts considered to be specified contract payments. See Part 8 of this schedule.

Part 3 – Eligible repayments

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures of a current nature **300** _____ D

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures of a capital nature **305** _____ E

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures for first term or second term shared-use equipment . . . **310** _____ $\times 25\% =$ **315** _____ F

Subtotal (amount E **plus** amount F) _____ $\times 0.4 =$ **320** _____ G

Eligible repayments (amount D **plus** amount G) **325** _____ H

Part 4 – Expenditure limit

For a stand-alone corporation: _____ **\$8,000,000**

Taxable income for the previous tax year (before any loss carrybacks being applied) * **400** _____ I

Amount I or \$500,000, whichever is greater $\times 10 =$ _____ J

Excess (\$8,000,000 **minus** amount J) ** (If your tax year starts before January 1, 2010, see the note below) _____ K

Specified capital amount for the corporation for the previous tax year (line 500 in Part 5) **minus** \$25,000,000 = **405** _____ L**

\$25,000,000 **minus** amount L **410** _____ M**

Expenditure limit for the stand-alone corporation: $\frac{(\text{amount K} \times \text{amount M})}{25,000,000} =$ **415** _____ N***

Note

If your tax year starts before January 1, 2010, complete the following calculation to determine the excess (amount K):

Amount K = BB – [(BB **minus** AA) \times (CC **divided by** DD)] where,

AA = [\$7,000,000 **minus** (10 \times (line 400 or \$400,000, whichever is more))];

BB = [\$8,000,000 **minus** (10 \times (line 400 or \$500,000, whichever is more))];

CC = number of days in the tax year before January 1, 2010;

DD = number of days in the tax year.

* If any of the tax years referred to at line 400 is less than 51 weeks, **multiply** the taxable income by 365 and **divide** by the number of days in the tax year.

** If the result is negative, enter "0".

*** Amount N cannot be more than \$3,000,000.

Part 4 – Expenditure limit (continued)

For associated corporations:

\$8,000,000

Total of all taxable incomes of the corporation and of its associated corporations (before any loss carrybacks being applied) for their last tax year ending in the previous calendar year *

420

O

Amount O or \$500,000, whichever is greater $\times 10 =$ P

Excess (\$8,000,000 **minus** amount P) ** (If your tax year starts before January 1, 2010, see the note below) Q

Specified capital amount of the corporation and of its associated corporations for their last tax year ending in the previous calendar year (line 505 in Part 5)

minus \$25 000 000 = **425**

425

 R^{**}

\$25,000,000 minus amount B	430	S**
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430

 S^{**}

Expenditure limit for associated corporations: $\frac{(\text{amount Q} \times \text{amount S})}{25,000,000} = \dots\dots\dots \mathbf{435} = \underline{\underline{\hspace{1cm}}}$ T

Enter amount T on line Z in Part 6.

Expenditure limit for the corporation (amount allocated from column 3 in Part 6) **440** _____ U****

Expenditure limit where the tax year of the stand-alone or associated corporation is less than 51 weeks:

Calculate the amount of the expenditure limit as follows:

$$\text{Amount N or amount U, whichever applies} \times \frac{\text{number of days in the tax year}}{365} = \text{445} \text{ V}$$

Note

If your tax year starts before January 1, 2010, complete the following calculation to determine the excess (amount Q):

Amount Q = BB – [(BB minus AA) × (CC divided by DD)] where,

AA = [\$7,000,000 minus (10 × (line 420 or \$400,000, whichever is more))];

BB = [\$8,000,000 minus (10 × (line 420 or \$500,000, whichever is more))];

CC = number of days in the tax year before January 1, 2010;

DD = number of days in the tax year.

* If any of the tax years referred to at line 420 is less than 51 weeks, **multiply** the taxable income by 365 and **divide** by the number of days in the tax year.

** If the result is negative, enter "0".

*** Amount U cannot be more than \$3,000,000.

Part 5 – Calculation of the specified capital amount

For stand-alone corporations (see notes below):

Specified capital amount for the previous tax year **500** _____ W

For associated corporations (see notes below and subsection 96(4.1) of *Taxation Act, 2007* (Ontario)):

Specified capital amount for the corporation and each of its associated corporations for their last tax year ending in the previous calendar year (complete the table below) **505** _____ X

	1 Names of associated corporations 510	2 Business Number of associated corporations (enter "NR" if a corporation is not registered) 515	3 Specified capital amount 520
1.			
2.			
3.			
4.			
5.			
Total specified capital amount			Y

Enter on line 505 the total specified capital amount in column 3 (amount Y).

Notes for stand-alone corporations and associated corporations

1. If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35, *Taxable Capital Employed in Canada – Large Insurance Corporations*, or line 690 of Schedule 34, *Taxable Capital Employed in Canada – Financial Institutions*.
2. If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year. If the applicable tax year ends before January 1, 2009, enter the sum of the amounts from lines 565 and 570 of *CT23 Corporations Tax and Annual Return* (Ontario). If the applicable tax year ends after December 31, 2008, enter the amount from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
3. For all other corporations, enter the amount of the corporation's taxable paid-up capital or its taxable capital for the applicable tax year. If the applicable tax year ends before January 1, 2009, enter the amount of taxable paid-up capital from line 470 of *CT23 Corporations Tax and Annual Return* (Ontario). If the applicable tax year ends after December 31, 2008, enter the amount of taxable capital from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Part 6 – Agreement among associated corporations to allocate the expenditure limit

1 Names of associated corporations 600	2 Business Number of associated corporations (enter "NR" if a corporation is not registered) 605	3 Expenditure limit allocated * (allocate the amount of the expenditure limit from line 435 in Part 4 to each associated corporation) 610
1.		
2.		
3.		
4.		
5.		
Total expenditure limit		Z

Enter on line 440 in Part 4 the expenditure limit allocated to the corporation in column 3.

* Special rules apply if the corporation has more than one tax year ending in a calendar year and is associated in more than one of those years with another corporation that has a tax year ending in the same calendar year. In this case, the expenditure limit of the corporation for the second (and later) tax year(s) will be equal to the expenditure limit allocated for the first tax year ending in the calendar year.

Part 7 – Calculation of the Ontario innovation tax credit

SR&ED qualified expenditure pool (line 215 in Part 2) **AA**

Add: Eligible repayments (line 325 in Part 3) **BB**

Subtotal (amount AA **plus** amount BB) **700** **CC**

Expenditure limit (line 415, 440, or 445, whichever applies) **DD**

Amount CC or amount DD, whichever is less **705** **EE**

Ontario innovation tax credit: (amount EE × 10%) **710** **FF**

Are you waiving all or part of the OITC? **715** 1 Yes ☐ 2 No ☐

If you answered **yes** at line 715, enter the amount of the tax credit waived on line 720.
If you answered **no** at line 715, enter "0" on line 720.

Deduct: Waiver of the tax credit **720** **GG**

Ontario innovation tax credit claimed (amount FF **minus** amount GG) **HH**

Enter amount HH on line 468 on page 5 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

Part 8 – Specified contract payments

- Specified contract payments, as defined in subsection 96(11) of the *Taxation Act, 2007* (Ontario), are contract payments received for the performance of SR&ED carried on in Ontario by a payor corporation that does not have a permanent establishment in Ontario and is not entitled to claim the OITC.
- According to subsection 96(9) of the *Taxation Act, 2007* (Ontario), the recipient does not have to deduct the specified contract payment from its SR&ED qualified expenditure pool.
- Specified contract payments include all amounts that are received, receivable, or reasonably expected to be received by the corporation.

Note

A corporation cannot claim SR&ED credits for contract payments received from another corporation that are not specified contract payments. These payments, if eligible, would be claimed by the corporation making the payments.

Provide details of specified contract payments received for which the OITC is being claimed:

	Name of corporation making the payment 800	Address of the corporation making the payment 805
1.		
2.		
3.		
4.		
5.		

	Is this an arm's length transaction? 810	Gross amount of specified contract payment received 815	Actual SR&ED expenditure relating to contract included in claim 820
1.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		
2.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		
3.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		
4.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		
5.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		