

**ONTARIO TRANSITIONAL TAX DEBITS AND CREDITS
(2010 and later tax years)**

Corporation's name	Business number	Tax year-end		
		Year	Month	Day

- Complete this schedule if you are a specified corporation that is subject to the Ontario transitional tax debit or are claiming the Ontario transitional tax credit.
- Unless otherwise noted, all legislative references are to the federal *Income Tax Act*.
- File this schedule with the *T2 Corporation Income Tax Return*.
- Unless otherwise noted, terms on this page are defined under subsection 46(1) of the *Taxation Act, 2007* (Ontario).
- **Specified corporation** is defined under subsection 46(5) of the *Taxation Act, 2007* (Ontario) as a corporation:
 - that is not exempt at or immediately before its transition time from tax payable under Part I of the federal Act;
 - that has a tax year that ends before 2009 and a tax year that includes January 1, 2009; or has a tax year that begins after 2008 and a tax year that is deemed to end on December 31, 2008, under subsection 249(3) of the federal Act;
 - that has a permanent establishment (PE) in Ontario at its transition time;
 - that had a PE in Ontario at any time in its last tax year ending before 2009, and was subject to tax under Part II of the *Corporations Tax Act* (Ontario) for that tax year; and
 - whose assets have not been distributed in an eligible pre-2009 windup.
- A specified corporation also includes, under subsection 51(1) of the *Taxation Act, 2007* (Ontario), the parent corporation of an eligible post-2008 windup and the new corporation of an eligible amalgamation.
- A specified corporation may be subject to the Ontario transitional tax debit if:
 - the corporation's total federal balance is more than the total Ontario balance at the end of the tax year; or
 - the corporation has a post-2008 scientific research and experimental development (SR&ED) balance, as defined under subsection 49(2) of the *Taxation Act, 2007* (Ontario), and a federal SR&ED transitional balance, as defined under subsection 49(4) of the *Taxation Act, 2007* (Ontario), at the end of the tax year.
- A specified corporation may be able to claim the Ontario transitional tax credit if:
 - the corporation's total Ontario balance is more than the total federal balance at the end of the tax year; or
 - the corporation has an unused transitional tax credit balance from previous tax years.
- **Transition time** means:
 - the beginning of the corporation's first tax year that starts after 2008 if the previous tax year is deemed under subsection 249(3) of the federal Act to end on December 31, 2008, or
 - the beginning of the corporation's tax year that includes January 1, 2009, in any other case.
- An **eligible amalgamation** means an amalgamation or merger of a particular corporation and one or more other corporations to form a new corporation where:
 - the amalgamation or merger occurs after December 31, 2008, and does not occur at the new corporation's transition time;
 - the new corporation has a PE in Ontario immediately after the amalgamation or merger;
 - the particular corporation has a PE in Ontario immediately before the amalgamation or merger;
 - the particular corporation is a specified corporation at its transition time or at any time before the amalgamation or merger;
 - the amalgamation or merger occurs in the amortization period of the new corporation;
 - the amortization period of the new corporation does not end immediately after the beginning of its reference period; and
 - the amortization period of the particular corporation does not end before the amalgamation or merger.
- An **eligible post-2008 windup** means the windup of a subsidiary corporation into its parent corporation under subsection 88(1) where:
 - the completion time of the windup is after December 31, 2008, and the time immediately after the completion time is within the amortization periods of the subsidiary and parent;
 - the parent's tax year (during which it received the assets of the subsidiary) ends after December 31, 2008;
 - the subsidiary has a PE in Ontario during its tax year ending at the completion time; and
 - the parent has a PE in Ontario during its tax year in which it received the assets from the subsidiary.
- An **eligible pre-2009 windup** means the windup of a subsidiary under subsection 88(1) where:
 - the completion time of the windup is after December 31, 2008, and the parent's tax year (during which it received the assets of the subsidiary) ended before January 1, 2009; or
 - the completion time of the windup is before January 1, 2009, and the parent's tax year (during which it received the assets of the subsidiary) ended after December 31, 2008.
- The **completion time** of a windup means the end of the tax year of the subsidiary during which the subsidiary distributes its assets to the parent for the purposes of paragraph 88(1)(e.2).
- A **specified pre-2009 transfer** under section 52 of the *Taxation Act, 2007* (Ontario) means a transfer of property between corporations not at arm's length that changes the total federal or Ontario balance of either the transferee or the transferor and that occurs:
 - before 2009;
 - at different values under the *Corporations Tax Act* (Ontario) and the federal Act;
 - in a tax year ending after 2008 for either the transferee or the transferor corporation, and that corporation is a specified corporation; and
 - in a tax year of the other corporation ending before 2009, in which the other corporation has a PE in Ontario.

Part 1 – Total federal balance

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

If this is the first year after amalgamation, include the total of all amounts from the predecessor corporations that had a PE in Ontario immediately before the amalgamation.

If the corporation is a life insurer or a non-resident corporation, do not include the amounts under the additional rules in subsection 48(8) of the *Taxation Act, 2007* (Ontario).

For other tax years, go to Part 3.

Federal balances at the end of the previous tax year (tax year ending in 2008)

Total undepreciated capital cost of depreciable properties (total of column 220 from Schedule 8, <i>Capital Cost Allowance (CCA)</i>)	110	_____
Charitable donations not yet deducted from income (from line 280 of Schedule 2, <i>Charitable Donations and Gifts</i>) (see Note 1)	112	_____
Gifts to Canada, a province, or a territory (from line 380 of Schedule 2) (see Note 1)	114	_____
Gifts of certified cultural property (from line 480 of Schedule 2) (see Note 1)	116	_____
Gifts of certified ecologically sensitive land (from line 580 of Schedule 2) (see Note 1)	118	_____
Gifts of medicine (from line 680 of Schedule 2) (see Note 1)	120	_____
Cumulative eligible capital (from line 300 of Schedule 10, <i>Cumulative Eligible Capital Deduction</i>)	122	_____
Federal SR&ED expenditure pool (from line 470 of Form T661, <i>Scientific Research and Experimental Development (SR&ED) Expenditures Claim</i>) (see Note 2 and Note 3)	124	_____
Cumulative Canadian exploration expense (from line 249 of Schedule 12, <i>Resource-Related Deductions</i>) (see Note 2)	128	_____
Cumulative Canadian development expense (from line 349 of Schedule 12) (see Note 2)	130	_____
Cumulative Canadian oil and gas property expense (from line 449 of Schedule 12) (see Note 2)	132	_____

Federal balances at the beginning of the current tax year

Non-capital losses (line 102 of Schedule 4, <i>Corporation Loss Continuity and Application</i> , of the current tax year) (see Note 2 and Note 4)	134	_____
Net capital losses (from line 200 of Schedule 4 of the current tax year × 50%) (see Note 2 and Note 4)	136	_____

Amounts included in the calculation of the Ontario income tax in the previous tax year

Total reserves deducted under paragraph 20(1)(l), (l.1), (m), (m.1), (n), or (o), subsection 32(1), section 61.4 or subparagraph 138(3)(a)(i), (ii), or (iv) of the federal Act, as it applies for the purposes of the <i>Corporations Tax Act</i> (Ontario)	150	_____
One half of the total reserves deducted under subparagraph 40(1)(a)(iii) or 44(1)(e)(iii) of the federal Act, as it applies under the <i>Corporations Tax Act</i> (Ontario)	152	_____
Other discretionary deductions claimed for Ontario income tax, but not claimed federally in the tax years ending after December 12, 2006, and before the transition time	154	_____

Other amounts

Total adjusted cost base of partnership interests owned by the corporation, under the federal Act, at the beginning of the tax year (see Note 5)	160	_____
Gain from a negative adjusted cost base of a partnership interest under subsection 40(3) of the federal Act, as it applies under the <i>Corporations Tax Act</i> (Ontario), as if all partnership interests were disposed of at the beginning of the tax year	162	_____
Amount of farming income specified under paragraph 28(1)(b) in the previous tax year	164	_____
Federal balance before election (total of lines 110 to 164)	164	_____ A

Deduct:

Lesser of amount D or amount E from Part 4, if an election is made	170	_____
Total federal balance (amount A minus line 170)	180	=====

Enter amount on line 300 in Part 3.

- Note 1: Enter "0" if the corporation was non-resident immediately before its transition time.
 Note 2: Enter "0" if control of the corporation was acquired at transition time.
 Note 3: Do not include the SR&ED expenditure pool earned before control of the corporation was last acquired.
 Note 4: Do not include losses that arose before control of the corporation was last acquired.
 Note 5: The adjusted cost base of any particular partnership interest cannot be less than "0".

Part 2 – Total Ontario balance

Complete this part if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

If this is the first year after amalgamation, include the total of all amounts from the predecessor corporations that had a PE in Ontario immediately before the amalgamation.

If the corporation is a life insurer or a non-resident corporation, do not include the amounts under the additional rules in subsection 48(8) of the *Taxation Act, 2007* (Ontario).

For other tax years, go to Part 3.

Ontario balances at the end of the previous tax year (tax year ending in 2008)

Total undepreciated capital cost of depreciable properties (total of column 13 from Ontario <i>Schedule 8, Ontario Capital Cost Allowance</i>)	210	_____
Charitable donations (amount I from Ontario <i>Schedule 2, Ontario Charitable Donations and Gifts</i>) (see Note 1)	212	_____
Gifts to Canada, a province, or a territory (total of closing balance amounts from parts 3 and 5 of Ontario <i>Schedule 2</i>) (see Note 1)	214	_____
Gifts of certified cultural property (closing balance amount from Part 6 of Ontario <i>Schedule 2</i>) (see Note 1)	216	_____
Gifts of certified ecologically sensitive land (closing balance amount from Part 7 of Ontario <i>Schedule 2</i>) (see Note 1)	218	_____
Gifts of medicine (see Note 1)	220	_____
Cumulative eligible capital (amount Q from Ontario <i>Schedule 10, Ontario Cumulative Eligible Capital Deduction</i>)	222	_____
Ontario SR&ED expenditure pool (line 480 from Ontario <i>CT23 Schedule 161, Ontario Scientific Research and Experimental Development Expenditures</i>) (see Note 2 and Note 3)	224	_____
Adjusted Ontario SR&ED incentive balance (see Note 2 and Note 5)	226	_____
Cumulative Canadian exploration expense (closing balance of Regular Expenses from Part 2 of Ontario <i>Schedule 12, Ontario Exploration Expenses</i>) (see Note 2)	228	_____
Cumulative Canadian development expense (closing balance of Regular Expenses, Canadian CCDE Expenses, from Part 3 of Ontario <i>Schedule 12</i>) (see Note 2)	230	_____
Cumulative Canadian oil and gas property expense (closing balance of Regular Expenses from Part 4 of Ontario <i>Schedule 12</i>) (see Note 2)	232	_____
Non-capital losses (from line 709 of Ontario <i>Corporations Tax Return CT8 or CT23 Corporations Tax and Annual Return</i>) (see Note 2 and Note 4)	234	_____
Net capital losses (from line 719 of CT8 or CT23 × 50%) (see Note 2 and Note 4)	236	_____

Amounts included in the calculation of the federal income tax in the previous tax year

Total reserves deducted under paragraph 20(1)(l), (l.1), (m), (m.1), (n), or (o), subsection 32(1), section 61.4 or subparagraph 138(3)(a)(i), (ii), or (iv)	250	_____
One half of the total reserves deducted under subparagraph 40(1)(a)(iii) or 44(1)(e)(iii)	252	_____

Other amounts

Total adjusted cost base of partnership interests owned by the corporation, for the purposes of the <i>Corporations Tax Act</i> (Ontario), at the beginning of the tax year (see Note 6)	260	_____
Gain from a "negative" adjusted cost base of a partnership interest under subsection 40(3) determined as if all partnership interests were disposed of at the beginning of the tax year	262	_____
Amount of farming income in the previous tax year specified under paragraph 28(1)(b) of the federal Act, as it applies for the purposes of the <i>Corporations Tax Act</i> (Ontario)	264	_____

Total Ontario balance (total of lines 210 to 264) **280** _____

Enter amount on line 340 in Part 3.

- Note 1: Enter "0" if the corporation was non-resident immediately before its transition time.
- Note 2: Enter "0" if control of the corporation was acquired at transition time.
- Note 3: Do not include the SR&ED expenditure pool earned before control of the corporation was last acquired.
- Note 4: Do not include losses that arose before control of the corporation was last acquired.
- Note 5: The adjusted Ontario SR&ED incentive balance under subsection 49(7) of the *Taxation Act, 2007* (Ontario) is the total of federal investment tax credits that:
- have been earned and are available without restriction to the corporation;
 - are attributable to qualifying Ontario SR&ED expenditures;
 - have not been deducted under subsection 127(5) or (6) of the federal Act at the end of the corporation's tax year ending immediately before its transition time; and
 - do not expire in the first tax year ending in 2009 under the 10-year carryforward limit,
- divided** by the relevant Ontario allocation factor as calculated in Part 11.
- Note 6: The adjusted cost base of any particular partnership interest cannot be less than "0".

Part 3 – Total federal balance and total Ontario balance at the end of the tax year

Total federal balance:

Total federal balance (amount from line 180 in Part 1, or amount from line 330 in Part 3 of Schedule 506 for the previous tax year) **300** _____

Add:

Amount from eligible amalgamation* **310** _____

Amount from eligible post-2008 windup* **315** _____

Amount from eligible pre-2009 windup* **320** _____

Amount from specified pre-2009 transfers* **325** _____

Total federal balance at the end of the tax year **330** _____

Total Ontario balance:

Total Ontario balance (amount from line 280 in Part 2, or amount from line 370 in Part 3 of Schedule 506 for the previous tax year) **340** _____

Add:

Amount from eligible amalgamation* **350** _____

Amount from eligible post-2008 windup* **355** _____

Amount from eligible pre-2009 windup* **360** _____

Amount from specified pre-2009 transfers* **365** _____

Total Ontario balance at the end of the tax year **370** _____

Transitional balance at the end of the tax year (line 330 minus line 370) **390** _____

If line 390 is positive, the corporation may be subject to a transitional tax debit. Complete Part 7 of this schedule.

If line 390 is negative, the corporation may be eligible to claim a transitional tax credit. Complete Part 8 of this schedule.

* See page 1 for definitions of eligible amalgamation, eligible post-2008 windup, eligible pre-2009 windup, and specified pre-2009 transfers. To calculate these amounts, you can use Schedule 507, *Ontario Transitional Tax Debits and Credits Calculation*.

Part 4 – Election to reduce federal SR&ED expenditure pool

The corporation may make this election if:

- the tax year includes January 1, 2009; or
- the previous tax year-end is deemed to be December 31, 2008, under subsection 249(3).

Are you making an election under clause (b) of the definition of "I" in paragraph 1 of subsection 48(4) of the *Taxation Act, 2007* (Ontario)? **400** 1 Yes 2 No

If you answered **no** to the question at line 400, go to Part 5. If you answered **yes** to the question at line 400, complete the following calculation:

Federal SR&ED expenditure pool closing balance at the end of the previous tax year (amount from line 124 in Part 1) **B**

Deduct:

Adjusted Ontario SR&ED incentive balance at the end of the previous tax year (amount from line 226 in Part 2) **1**

Ontario SR&ED expenditure pool closing balance at the end of the previous tax year (amount from line 224 in Part 2) **2**

Subtotal (amount **1** plus amount **2**) **C**

Subtotal (amount **B** minus amount **C**) (if negative, enter "0") **D**

Federal balance before election (amount **A** from Part 1) _____

Deduct:

Total Ontario balance (amount from line 280 in Part 2) _____

Subtotal (if negative, enter "0") **E**

Enter the lesser of amount **D** and amount **E** on line 170 in Part 1.

Part 7 – Transitional tax debits

Complete this part if the amount on line 390 in Part 3 is positive.

Amount from line 390 in Part 3 _____ G

Amount G × Ontario basic rate of tax* _____ % = _____ H

Amount H × OAF (from line F in Part 6) _____ I

Number of days from line 440
(if applicable) or line 420 in Part 5 _____ J

Number of days in the corporation's
reference period from line 410 in Part 5 _____

Transitional tax debit before tax on elected reduced SR&ED pool (amount I multiplied by amount J) _____ K

Post-2008 SR&ED balance at the end of
the year (amount HH from Part 12) **460** _____

Federal SR&ED transitional balance at the
end of the year (amount QQ from Part 14) **470** _____

Tax on elected reduced SR&ED pool (the lesser of lines 460 and 470) _____ L

Total transitional tax debits (amount K plus amount L) _____ M

Enter amount M on line 276 of Schedule 5.

Part 8 – Transitional tax credits

Complete this part if the amount on line 390 in Part 3 is negative.

Amount C6 from Schedule 5 _____ N

Deduct:

Ontario resource tax credit (from line 404 of Schedule 5) _____

Ontario tax credit for manufacturing and processing
(from line 406 of Schedule 5) _____

Ontario foreign tax credit (from line 408 of Schedule 5) _____

Ontario credit union tax reduction (from line 410 of Schedule 5) _____

Subtotal **O**

Subtotal (amount N minus amount O) **P**

Number of days from line 420 in Part 5 _____ Q

Number of days in the tax year (do not include
February 29, 2008, or February 29, 2012) _____

Ontario tax payable for purposes of the current year transitional tax credit (amount P multiplied by amount Q) **510** _____

Amount from line 390 in Part 3 (enter as a positive amount) _____ R

Amount R × Ontario basic rate of tax* _____ % = _____ S

Amount S × OAF (from line F in Part 6) _____ T

Number of days from line 440
(if applicable) or line 420 in Part 5 _____ U

Number of days in the corporation's
reference period from line 410 in Part 5 _____

Current-year transitional tax credit (amount T multiplied by amount U) **520** _____

Ontario tax payable for purposes of the unused transitional tax credit carryforward
(line 510 minus line 520) (if negative, enter "0") **530** _____

Transitional tax credit:

Lesser of amounts on line 510 and 520 _____ V

Lesser of unused transitional tax credit available (amount Y from Part 9) and amount on line 530 _____ W

Transitional tax credits (amount V plus amount W) _____ X

Enter amount X on line 414 of Schedule 5.

* Enter the rate calculated in Part 1 of Schedule 500, *Ontario Corporation Tax Calculation*.

Part 9 – Unused transitional tax credit

Unused transitional tax credit carryforward from previous year
(amount from line 580 of the previous year)* 1

Add:
 Unused transitional tax credit transferred from a predecessor corporation or a
 subsidiary on an eligible amalgamation or an eligible post-2008 windup* **560** 2
 Unused transitional tax credit available (amount 1 **plus** amount 2) **▶** Y

Add:
 Current-year transitional tax credit (amount from line 520 in Part 8) Z

Subtotal (amount Y **plus** amount Z) 3

Deduct:
 Transitional tax credit applied (amount X from Part 8) AA

Unused transitional tax credit (available for later years) (amount 3 **minus** amount AA) **580**

* Enter "0" if this is the first tax year ending after 2008.

Complete parts 10 to 14 if the corporation or a predecessor made an election in Part 4 at the transition time.

Part 10 – Federal current SR&ED limit and federal current SR&ED deficit

Current SR&ED expenditures in the year under paragraph 37(1)(a) **610**
 Capital SR&ED expenditures in the year under paragraph 37(1)(b) **614**
 Repayment of assistance under paragraph 37(1)(c) **618**
 Investment tax credit recaptured under subsections 127(27), (29), and (34)
 in the previous tax year **624**

Subtotal (total of lines 610 to 624) **▶** BB

Deduct:
 Assistance under paragraph 37(1)(d) **638**
 Investment tax credits deducted under paragraph 37(1)(e) **644**

Subtotal (line 638 **plus** line 644) **▶** CC

Federal current SR&ED limit or federal current SR&ED deficit (amount BB **minus** amount CC) **650**

If the amount on line 650 is positive, enter it on line II in Part 13.
 If the amount on line 650 is negative, enter it as a positive amount on line DD in Part 12.

Part 11 – Relevant OAF

Enter on line 660 whichever of the following amounts is greatest:

- the corporation's OAF for the tax year that includes its transition time
 (from line F in Part 6)
- the greatest of the corporation's OAFs for a tax year ending in 2006, 2007, and 2008
 as determined under subsection 12(1) of the *Corporations Tax Act* (Ontario)
- the greatest of the weighted OAFs* of the corporation and its
 designated corporations** for 2006, 2007, and 2008

Relevant OAF **660** %

* The weighted OAF for two or more corporations for their tax years ending in 2006, 2007, or 2008 is the total of the following for each corporation:

- the corporation's OAF as determined under subsection 12(1) of the *Corporations Tax Act* (Ontario) for the tax year **multiplied** by the corporation's and its share of partnerships' qualified Ontario SR&ED expenditures in the tax year, **divided** by the total of all the corporations' and their shares of partnerships' qualified Ontario SR&ED expenditures in the tax year.

Qualified Ontario SR&ED expenditure is defined in section 11.2 of the *Corporations Tax Act* (Ontario).

** A designated corporation in respect of a particular corporation is:

- 1) a corporation that amalgamated with the particular corporation under section 87;
- 2) a corporation that wound up into the particular corporation under subsection 88(1); or
- 3) a designated corporation to a corporation identified in 1) or 2).

Part 12 – Post-2008 SR&ED balance

Federal current SR&ED deficit for the year (amount from line 650 in Part 10, if negative) (enter as a positive amount) DD

SR&ED expenditure amount deducted in the year under subsection 37(1) **670** _____

Deduct:

Cumulative post-2008 SR&ED limit at the end of the year (amount LL from Part 13) **675** _____

Subtotal (line 670 **minus** line 675) (if negative, enter "0") ► _____ EE

Subtotal (amount DD **plus** amount EE) FF

Amount FF × 14% GG

Post-2008 SR&ED balance at the end of the year (amount GG **multiplied** by line 660 from Part 11) HH

Enter amount HH on line 460 in Part 7.

Part 13 – Cumulative post-2008 SR&ED limit at the end of the year

Federal current SR&ED limit for the year (amount from line 650 in Part 10, if positive) II

Total of all federal SR&ED limits from previous tax years ending after December 31, 2008 **700** _____

Subtotal (line II **plus** line 700) JJ

Total of all amounts deducted under subsection 37(1) for previous tax years ending after December 31, 2008 **705** _____

Total of all transitional tax debits on elected reduced SR&ED pool calculated under subsection 48(3) of the *Taxation Act, 2007* (Ontario) in the previous years (total of line L in Part 7 for previous years) **710** _____

Deduct:

Amounts included in line 710 that are reasonably attributable to the federal current SR&ED deficit for the year **715** _____

Subtotal (line 710 **minus** line 715) **720** _____

Line 720 = KK

Relevant OAF (from line 660 in Part 11) × 14% KK

Subtotal (line 705 **minus** amount KK) ► **730** _____

Cumulative post-2008 SR&ED limit at the end of the year (amount JJ **minus** line 730) (if negative, enter "0") LL

Enter amount LL on line 675 in Part 12.

Part 14 – Federal SR&ED transitional balance at the end of the year

Amount from line 170 in Part 1 (see Note) **735** _____ MM

Relevant OAF (from line 660) (see Note) **multiplied** by amount MM NN

Amount NN × 14% ► _____ OO

Federal SR&ED transitional balance transferred on an eligible amalgamation or an eligible post-2008 wind-up **740** _____

Subtotal (amount OO **plus** line 740) PP

Deduct:

Total of all transitional tax debits on elected reduced SR&ED pool calculated under subsection 48(3) of the *Taxation Act, 2007* (Ontario) in the previous years (total of line L in Part 7 for previous years) **750** _____

Federal SR&ED transitional balance at the end of the year (amount PP **minus** line 750) QQ

Enter amount QQ on line 470 in Part 7.

Note: For tax years ending after 2009, enter the amount from line 170 and the relevant OAF from the 2009 tax year.