



Ontario Tax Credit for Manufacturing and Processing (2012 and later tax years)

Protected B when completed

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

- Complete this schedule if the 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 the T2 Corporation Income Tax Return.

Part 1 - Calculation of adjusted business income

Active business income minus active business losses of the corporation for the year * (amount from line 100 or line 120, whichever applies, of Schedule 27, if filed) 025

Add:

Adjusted Crown royalties for the year (amount from line 100 of Schedule 504, Ontario Resource Tax Credit and Ontario Additional Tax re Crown Royalties)

Subtotal

Deduct:

Notional resource allowance for the year (amount from line 105 of Schedule 504)

Adjusted business income (if negative, enter "0") 050

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

Small manufacturing corporations:

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

- The adjusted business income of the corporation for the year is \$250,000 or less; and
Its 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 the corporation's adjusted business income. Active business income from manufacturing and processing sources includes income from farming, fishing, logging, or mining in Canada.

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

Part 2 – Calculation of the Ontario tax credit for manufacturing and processing

Eligible Canadian profits:

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

Canadian manufacturing and processing profits (amount from line 200 of Schedule 27) A1
 Canadian profits from generating electrical energy or producing steam for sale
 (amount from line 210 of Schedule 27 **minus** amount A1) A2
 Total Canadian farming, fishing, or logging income (amount from line 150 in Part 3) A3
 Total Canadian mining income (amount from line I in Part 4) A4
 Total ECP (total of amounts A1, A2, A3, and A4) **075** A

Deduct:

Ontario adjusted small business income (amount from line I in Part 4 of
 Schedule 500, *Ontario Corporation Tax Calculation*) * B
 Excess (if negative, enter "0") **▶** C
 Adjusted taxable income ** D

Deduct:

(For corporations resident in Canada, complete lines 1 to 3 as applicable. Otherwise, enter "0" on line E.)

Ontario adjusted small business income (amount from line B) * 1

$$\text{Line D} \times \left(1 - \frac{\text{Taxable income earned in all provinces and territories}^{***}}{\text{Total taxable income}} \right) = \text{2}^{****}$$
 Aggregate investment income (amount from line 440 of the T2 Return) * 3
 Subtotal (total of lines 1, 2, and 3) **▶** E
 Excess (line D **minus** line E) (if negative, enter "0") **▶** F

Income eligible for the Ontario tax credit for manufacturing and processing:

(least of amount from line 050 in Part 1, amount C, and amount F) G

Ontario tax credit for manufacturing and processing:

Ontario domestic factor: $\frac{\text{Ontario taxable income}^{*****}}{\text{Taxable income earned in all provinces and territories}^{***}} = \text{a}$
 Amount G × Amount a = b
 Amount b × $\frac{\text{Number of days in the tax year before July 1, 2011}}{\text{Number of days in the tax year}} \times 2.0\% = \text{c}$
 Amount b × $\frac{\text{Number of days in the tax year after June 30, 2011}}{\text{Number of days in the tax year}} \times 1.5\% = \text{d}$
Ontario tax credit for manufacturing and processing (amount c **plus** amount d) = H

Enter amount H on line 406 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

* Applies only to corporations that were Canadian-controlled private corporations throughout the tax year.
 ** Adjusted taxable income is equal to the corporation's taxable income for the year **plus** the amount of the corporation's adjusted Crown royalties for the year (amount from line 100 of Schedule 504) **minus** the amount of the corporation's notional resource allowance for the year (amount from line 105 of Schedule 504).
 *** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.
 **** If negative, enter "0".
 ***** If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 from page 3 of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Note:

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

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

See notes below for instructions on how to complete this part.

Total Canadian farming, fishing, or logging income:

$$\text{ADJUBI } \boxed{100} \times \left[\begin{array}{l} \text{MCC } \boxed{120} \\ \text{CC } \boxed{110} \end{array} + \begin{array}{l} \text{MLC } \boxed{140} \\ \text{LC } \boxed{130} \end{array} \right] = \boxed{150}$$

Enter the amount from line 150 on line A3 in Part 2.

Part 4 – Corporations that have income from mining in Canada

See notes below for instructions on how to complete this part.

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

Add:

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

$$\text{ADJUBI } \boxed{200} \times \left[\begin{array}{l} \text{MCC } \boxed{220} \\ \text{CC } \boxed{210} \end{array} + \begin{array}{l} \text{MLC } \boxed{240} \\ \text{LC } \boxed{230} \end{array} \right] = \boxed{250}$$

Total Canadian mining income (line 175 plus line 250). Enter this amount on line A4 in Part 2 |

* Do not include income reported on line 175.

Notes:

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 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.