

**NOVA SCOTIA RESEARCH AND DEVELOPMENT TAX CREDIT
(2002 and later taxation years)**

Name of corporation	Business Number	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="text-align: center;">Taxation year-end</td> </tr> <tr> <td style="text-align: center;">Year Month Day</td> </tr> <tr> <td style="text-align: center;"> </td> </tr> </table>	Taxation year-end	Year Month Day	
Taxation year-end					
Year Month Day					

- Use this schedule if you are a corporation with a permanent establishment in Nova Scotia that has made eligible expenditures for scientific research to be carried out in the province and you want to:
 - calculate a refundable Nova Scotia research and development (R&D) tax credit for the current taxation year;
 - calculate a recapture of the Nova Scotia R&D tax credit; or
 - renounce the credit. To renounce the credit, include **all** current-year credits; partial renouncements are not allowed. You have to file the renouncement on or before the filing date of the *T2 Corporation Income Tax Return*.

- An eligible expenditure is one that meets the definition in subsection 41(1) of the Nova Scotia *Income Tax Act*.

- The credit earned in the current taxation year is applied to reduce Nova Scotia income tax otherwise payable for the year, as well as amounts owing under the federal and provincial income tax acts, the Canada Pension Plan, and the *Employment Insurance Act*. Any remaining balance will be refunded.

- Only corporations that are not exempt from tax under section 149 of the federal *Income Tax Act* can get a refund of the credit.

- You can also use this schedule to show a credit allocated to a corporation that is a member of a partnership or a credit allocated to a corporation that is a beneficiary under a trust.

- File this schedule with your T2 return for the taxation year in which the credit is claimed or recaptured or a refund is requested.

Part 1 – Calculation of refundable Nova Scotia R&D tax credit

Total eligible expenditures for R&D in the taxation year	103		A
		x 15%	
Current-year credit earned	120		B
Add:			
Credit allocated to a corporation that is a member of a partnership	130		
Credit allocated to a corporation that is a beneficiary under a trust	140		
Subtotal		▶	C
Subtotal (amount B plus amount C)			D
Deduct: Credit renounced	150		E
Total refundable Nova Scotia R&D tax credit (amount D minus amount E)	190		F

Enter amount F on line 566 of Schedule 5.

Part 2 – Calculation of a recapture of Nova Scotia R&D tax credit

You will have a recapture of Nova Scotia R&D tax credit in a year when you meet all the following conditions:

- you acquired a particular property in the current year or in any of the four preceding taxation years;
- you claimed the cost of the particular property as an eligible expenditure for the Nova Scotia R&D tax credit;
- the cost of the particular property was included in computing your tax credit at the end of the taxation year or was subject to an agreement made under subsection 127(13) of the federal *Income Tax Act* to transfer qualified expenditures; and
- you disposed of the particular property or converted it to commercial use after March 31, 2002. You also meet this condition if you disposed of or converted to commercial use a property which incorporates the property previously referred to.

Note: The recapture **does not apply** if you disposed of the property to a non-arm's-length purchaser who intended to use it all or substantially all for R&D. When the purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical Nova Scotia R&D tax credit rate of the original user.

You have to report the recapture on Schedule 5 for the year in which you disposed of the property or converted it to commercial use. If the corporation is a member of a partnership, report its share of the recapture.

If you have more than one disposition for calculations 1 and 2, complete the columns for each disposition for which a recapture applies, using the calculation formats below.

Calculation 1 – If you meet all the above conditions

Amount of Nova Scotia R&D tax credit you originally calculated for the particular property you acquired, or the original user's tax credit where you acquired the property from a non-arm's-length party, as described in the note above 700	Amount calculated using the Nova Scotia R&D tax credit rate at the date of acquisition (or the original user's date of acquisition) on either the proceeds of disposition (if sold in an arm's-length transaction) or the fair market value of the property (in any other case) 710	Amount from column 700 or 710, whichever is less
1.		
2.		
3.		
4.		
5.		

Subtotal _____ **G**

Enter amount G on line P on page 3.

Calculation 2 – Only if you acquired all or part of the eligible expenditure from another person under an agreement described in subsection 127(13) of the federal *Income Tax Act*. Otherwise, enter nil at line N on page 3.

H The rate the transferee used to determine its Nova Scotia R&D tax credit for eligible expenditures under a subsection 127(13) agreement 720	I The proceeds of disposition of the property if you dispose of it to a person at arm's length; or, in any other case, the fair market value of the property at conversion or disposition 730	J The amount, if any, already provided for in calculation 1 (This allows for the situation where only part of the cost of a property is transferred under a subsection 127(13) agreement.) 740
1.		
2.		
3.		
4.		
5.		

Calculation 2 is continued on page 3.

Part 2 – Calculation of a recapture of Nova Scotia R&D tax credit (continued)

Calculation 2 (continued) – Only if you acquired all or part of the eligible expenditure from another person under an agreement described in subsection 127(13) of the federal *Income Tax Act*. Otherwise, enter nil at line N below.

K	L	M
Amount determined by the formula (H x I) – J (using the columns on page 2)	Nova Scotia R&D tax credit earned by the transferee for the eligible expenditures that were transferred	Amount from column K or L, whichever is less
	750	
1.		
2.		
3.		
4.		
5.		

Subtotal _____ **N**

Enter amount N on line Q below.

Calculation 3

As a member of a partnership, you have to report your share of the recapture at line O below:

Corporation's share of the recapture of Nova Scotia R&D tax credit **760** _____ **O**

Enter amount O on line R below.

Part 3 – Total recapture of Nova Scotia R&D tax credit

Recaptured Nova Scotia R&D tax credit for calculation 1 from line G on page 2 _____ **P**

Recaptured Nova Scotia R&D tax credit for calculation 2 from line N above _____ **Q**

Recaptured Nova Scotia R&D tax credit for calculation 3 from line O above _____ **R**

Total recapture of Nova Scotia R&D tax credit – total of lines P, Q, and R _____ **S**

Enter amount S on line 221 of Schedule 5.