

BRITISH COLUMBIA SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT TAX CREDIT (TAX CREDIT) / INCOME TAX ACT (BRITISH COLUMBIA)

To claim this tax credit, attach this form to the **top of the corporation's T2 Corporate Income Tax Return** for the year. This form must be filed within 18 months of the end of the taxation year in which the corporation's scientific research and experimental development (SR&ED) qualified BC expenditures are incurred. **Late filed tax credit forms will not be processed.** Please refer to Part 6 of the *Income Tax Act* (British Columbia).

Freedom of Information and Protection of Privacy Act

The personal information requested on this form is collected under the authority of and used for the purpose of administering the *Income Tax Act* (British Columbia). Questions about the collection or use of this information can be directed to the Income Taxation Branch at (250) 387-3332, PO Box 9444, Stn Prov Gov't, Victoria BC V8W 9W8

This form is to be used by corporations that have made an **SR&ED qualified BC expenditure**. A corporation's **SR&ED qualified BC expenditure** for a taxation year is the total of its **BC qualified expenditures** incurred in that year and its **eligible repayment** for that taxation year.

Qualified expenditure has the same meaning as subsection 127(9) of the federal *Income Tax Act* (federal Act) except government assistance does not include a British Columbia SR&ED tax credit or an investment tax credit under subsection 127(5) or (6) of the federal Act.

BC qualified expenditures include qualified expenditures made after August 31, 1999 and before September 1, 2009 in respect of SR&ED carried on in British Columbia. The expenditure must have been incurred at a time when the corporation had a permanent establishment in British Columbia. Expenditures incurred by an individual, partnership or trust do not qualify. BC qualified expenditures do not include expenditures incurred in the course of earning income if any of the income is exempt income, as defined in section 248(1) of the federal Act, or is exempt from tax under Part I of the federal Act.

A corporation's **eligible repayment** is the total of all amounts of designated assistance repaid in the taxation year by the corporation or deemed repaid under subsection 127(10.8) of the federal Act to the extent each amount is a repayment of designated assistance that reduced an amount of a BC qualified expenditure in the taxation year or a previous taxation year.

The **refundable** tax credit may only be claimed by a **Canadian-controlled private corporation (CCPC)**. Any refundable credit to which the corporation is entitled will be offset against other income taxes payable (federal and provincial) and a refund cheque may be issued for any remainder. The refundable credit is limited to 10% of the lesser of the corporation's SR&ED qualified BC expenditure for the taxation year and its expenditure limit as defined in subsection 127(10.2) of the federal Act. If a CCPC's expenditure exceeds the corporation's expenditure limit, the corporation may be able to claim a non-refundable credit.

Other corporations, and CCPCs whose expenditure exceeds their expenditure limit, may claim a **non-refundable** tax credit to the extent of their British Columbia tax otherwise payable. Any remaining non-refundable tax credit, if not deductible in the year earned, may be used to offset British Columbia tax otherwise payable in any of the three preceding years and ten subsequent years. The tax credit may not be carried back to a taxation year ending before September 1, 1999.

A corporation that has made a deduction under Section 17 of the *Income Tax Act* (British Columbia) (two-year tax holiday for new small businesses) in a taxation year may not claim or deduct a British Columbia SR&ED tax credit for the same taxation year.

Part 1 – Corporate Information (Please Print)

Corporate Name			
Business Number	Taxation year	Start yyyy mm dd	End yyyy mm dd
Contact Person's Name	Telephone Number	Fax Number	

Part 2 – Eligibility

Was the corporation exempt from taxation under section 27 of the *Income Tax Act* (British Columbia) or Part I of the federal Act? Yes No

Was the corporation at any time in the year controlled directly or indirectly in any manner whatever by one or more persons, all or part of whose income was exempt from taxation under section 27 of the *Income Tax Act* (British Columbia) or Part I of the federal Act? Yes No

Was the corporation at any time in the year:

a) a small business venture capital corporation registered under section 3 of the *Small Business Venture Capital Act*? Yes No

b) an employee venture capital corporation registered under section 8 of the *Employee Investment Act*? Yes No

If the answer to any of the above questions is "yes", the corporation is not eligible for a tax credit.

Part 3 – SR&ED Qualified BC Expenditure

To determine the amount of total current and capital BC qualified expenditures complete schedule A.

Total current BC qualified expenditures in the taxation year	350	+	_____	1
Total capital BC qualified expenditures in the taxation year	360	+	_____	2
Eligible repayment made in the taxation year	370	+	_____	3
SR&ED qualified BC expenditure for the year (add lines 1 to 3)	380	=	_____	4

Part 4 – Refundable Tax Credit for Canadian-Controlled Private Corporations

Corporation's expenditure limit as defined in subsection 127(10.2) of the federal Act	_____	5
Corporation's SR&ED qualified BC expenditure for the year (from line 4)	_____	6
Enter the lesser amount of line 5 and line 6	_____	7
Applicable rate	X 10%	8
Refundable tax credit available (multiply line 7 by line 8)	= _____	9
Refundable tax credit claim (enter an amount up to the amount on line 9 at line 674 of Schedule 5)	_____	10
Enter nil if the corporation has made a deduction for the BC two-year tax holiday for new small businesses.		

Part 5 – Non-refundable Tax Credit for the Year

Corporation's SR&ED qualified BC expenditure for the year (from line 4)	_____	11
Applicable rate	X 10%	12
Tax credit earned in the year (multiply line 11 by line 12)	= _____	13
Deduct: Refundable tax credit claimed (from line 10)	+ _____	14
Tax credit renounced for current taxation year (from line 24) (complete Part 6 below)	+ _____	15
Add line 14 and line 15	= _____	▶ _____
Annual non-refundable tax credit for the year (line 13 minus line 16)	= _____	17
Add: Tax credit balance at the beginning of the taxation year (from line 27)	+ _____	18
Tax credit transferred on amalgamation or windup of a subsidiary	+ _____	19
Add line 18 and line 19	= _____	▶ _____
Total non-refundable tax credit available for deduction (add line 17 and line 20)	= _____	21
British Columbia income tax otherwise payable	_____	22
British Columbia tax payable from line 240 on Schedule 5 less BC foreign tax credit, BC logging tax credit, BC royalty and deemed income rebate, BC political contribution tax credit, and BC small business venture capital tax credit, BC Nisga'a royalty tax credit, British Columbia manufacturing and processing tax credit		
Non-refundable tax credit claim (enter this amount on line 659 of Schedule 5)	_____	23
Claim the amount that is the lesser of line 21 and line 22 or nil if the corporation has made a deduction for the BC two-year tax holiday for new small businesses.		

Complete Part 8 if the amount claimed on line 23 includes amounts carried forward from preceding years on line 18. The non-refundable tax credit may be used to offset British Columbia tax payable for a three-year carry back (if not deductible in the year earned) and a ten-year carry forward.

Complete Part 9 to carry back any non-refundable tax credit if not deductible in the current year earned. No amount can be carried back to a year in which the corporation has made a deduction for the BC two-year tax holiday for new small businesses or to a taxation year ending before September 1, 1999.

Part 6 – Renunciation of Tax Credit

The corporation hereby renounces, under subsection 100(1) of the <i>Income Tax Act</i> (British Columbia), all entitlement to the British Columbia Scientific Research and Experimental Development tax credit as follows:	
Amount of non-refundable tax credit the corporation elects to renounce	Amount _____
The amount renounced cannot exceed the total credit earned in the year less the refundable credit claimed in the year (line 13 minus line 14).	

Part 7 – Summary of Tax Credits Available for Carryforward or Carryback

Tax credit balance at the end of the preceding year		+		25
Deduct: Tax credit expired after 10 years			504 -	26
Tax credit at the beginning of the year (line 25 minus line 26)			520 =	27
Add: Tax credit transferred on amalgamation or windup (from line 19)	530	+		28
Tax credit earned in the current year (from line 13)	540	+		29
	Add line 28 and line 29	=	▶	+
				30
Total tax credit available (add lines 27 and 30)			=	31
Deduct: Tax credit renounced (from line 24)	580	+		32
Refundable tax credit claimed (from line 10)	610	+		33
Non-refundable tax credit claimed (from line 23)	560	+		34
Non-refundable tax credit carried back to preceding years (from line 52)		+		35
	Add lines 32 to 35	=	▶	-
				36
Tax credit balance at the end of the year (line 31 minus line 36)			620 =	37

Part 8 – Request for Application of Tax Credit from Preceding Years

The corporation hereby requests the following tax credit to be applied to the current year tax payable.

Year of Origin	yyyy mm dd	Amount to be Applied	+		38
Year of Origin		Amount to be Applied	+		39
Year of Origin		Amount to be Applied	+		40
Year of Origin		Amount to be Applied	+		41
Year of Origin		Amount to be Applied	+		42
Year of Origin		Amount to be Applied	+		43
Year of Origin		Amount to be Applied	+		44
Year of Origin		Amount to be Applied	+		45
Year of Origin		Amount to be Applied	+		46
Year of Origin		Amount to be Applied	+		47
Total to be applied (add lines 38 to 47)			=		48

Part 9 – Request for Carryback of Tax Credit (No amount may be carried back to a taxation year ending before September 1, 1999 or to a year in which a deduction was made for the BC two-year tax holiday for new small businesses.)

The corporation hereby requests a carryback of the tax credit to be applied as follows:

1st preceding taxation year	yyyy mm dd	Credit to be Applied	911 +	49
2nd preceding taxation year		Credit to be Applied	912 +	50
3rd preceding taxation year		Credit to be Applied	913 +	51
			=	
Total carried back (add lines 49 to 51)				52

Part 10 – Calculating the recapture of tax credits

You will have a recapture of tax credit in a year when all of the following conditions are met:

- you acquired a particular property and the cost of the property was a BC qualified expenditure in a taxation year;
- the cost of the particular property was included in computing your tax credit; and
- you disposed of the particular property or converted it to commercial use after March 31, 2000 and within 10 taxation years of the acquisition. This condition is also met if you disposed of or converted to commercial use a property which incorporates the property previously referred to. If however, you sell the property to a non-arm's length purchaser who continues to use all the property, or substantially all for British Columbia SR&ED, the recapture does not apply.

You will report a recapture on the T2 return for the year in which you disposed of the property or converted it to commercial use.

If you have more than one disposition, please complete the columns for each disposition for which a recapture applies, using the calculation format below.

Calculation – if you meet all of the above conditions

	Amount of tax credit in respect of the particular property you acquired. 700	The amount calculated at the tax credit rate at the time the property was acquired on either the proceeds of disposition (if sold in an arm's length transaction) or in any other case the fair market value of the property. 710	Lesser of amount 700 and amount 710
1.			
2.			
3.			
4.			
5.			

Total recapture of BC SR&ED tax credit (enter this amount on line 241 of Schedule 5) _____

Schedule A – Current and Capital BC Qualified Expenditure

	Current	Capital
Total current and capital expenditures for SR&ED (from lines 557 and 558 of Form T661)	_____	_____
Add: Qualified expenditures you transferred (from lines 544 and 546 of Form T661 – Schedule C)	+ _____	+ _____
Government assistance (from lines 534 and 536 of Form T661)	+ _____	+ _____
Subtotal	= _____	= _____
Deduct: Qualified expenditures transferred to you (from lines 508 and 510 of Form T661)	- _____	- _____
Government assistance (defined in section 97 of the <i>Income Tax Act</i> (British Columbia)	- _____	- _____
Expenditures incurred in the taxation year for SR&ED carried on outside British Columbia	- _____	- _____
Expenditures incurred at a time when the corporation had no permanent establishment in British Columbia	- _____	- _____
Current expenditures for SR&ED contract paid or payable to, or for the benefit of a person or partnership that is not a taxable supplier in respect of the expenditure	- _____	- _____
Expenditures for third-party payments made to entities outside British Columbia	- _____	- _____
Prescribed proxy amount on directly engaged salary and wages where the SR&ED was carried on outside British Columbia	- _____	- _____
Prescribed proxy amount on directly engaged salary and wages at a time when the corporation had no permanent establishment in British Columbia	- _____	- _____
Subtotal	= _____	= _____
BC qualified expenditures Report on line 350 and 360 respectively in Part 3 of form T666	350 = _____	360 = _____