



**AGREEMENT TO TRANSFER QUALIFIED EXPENDITURES INCURRED IN RESPECT OF SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED) CONTRACTS CARRIED OUT IN CANADA**

- For use by a taxpayer (the "transferor") and a person (the "transferee") to transfer to the transferee under subsection 127(13) for a particular taxation year of the transferor, qualified SR&ED expenditures incurred by the transferor for SR&ED contracts performed for, or on behalf of the transferee at a time when the two parties were not dealing at arm's length.
- The amount transferred is deducted from the transferor's SR&ED qualified expenditure pool for the particular taxation year and is added to the transferee's pool for its first taxation year that ends at or after the end of the particular taxation year of the transferor.
- The transferor and the transferee have to file one completed copy of the agreement or amended agreement at the Tax Centre where they would normally file their return of income under Part I.
- An agreement should be filed for each transfer of qualified expenditures made under subsection 127(13).
- The agreement or amended agreement has to be filed:
  - on or before the transferor's filing-due date for the particular taxation year to which the agreement relates, **or**
  - in the period within which the transferor may serve a notice of objection to an assessment of tax payable under Part I for the particular year, **or**
  - in the period within which the transferee may serve a notice of objection to an assessment of tax payable under Part I for its first taxation year that ends at or after the end of the transferor's particular year.
- The transferor and the transferee corporation should attach to Form T1146 certified copies of the resolutions of the directors (or the document of the person legally entitled to administer the affairs of the corporation) authorizing such an agreement, or a Directors' resolution delegating authority to an authorized officer of each corporation signed by the designated authorized officers of each corporation. The Directors' resolution will be in effect for all subsequent years until it is rescinded.
- Where two corporations are owned exclusively by one shareholder, such a transfer signed by authorized officers of each corporation will be accepted provided that a signed confirmation by the shareholder is filed with Form T1146 stating that he is the only shareholder of both corporations, and that he has authorized the transfer of the qualified expenditures from one corporation to the other corporation. A Directors' resolution will not be required.
- Parts and subsections referred to in this form are those of the *Income Tax Act*.

**Do not use this area**

**AGREEMENT**

The transferor and the transferee identified below hereby agree that the amount of SR&ED qualified expenditures (per line 106) is transferred to the transferee pursuant to subsection 127(13) 107 \_\_\_\_\_.

The breakdown of the transferred amount is: \$ \_\_\_\_\_ for current expenditures and \$ \_\_\_\_\_ for capital expenditures.

Carry the transferred amount over to Form T661, lines 508 and/or 510 for the transferee, and to lines 544 and/or 546 of Form T661 for the transferor.

Is this an amended agreement? Yes  No  If yes, attach a copy of the immediately previous agreement.

Name of transferor (print)		Business number or social insurance number																					
Address (head office if corporation)		Taxation year ended <table style="width: 100%; border: none;"> <tr> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> </tr> <tr> <td style="border: none; text-align: center;">Year</td> <td style="border: none; text-align: center;">Month</td> <td colspan="2" style="border: none; text-align: center;">Day</td> <td colspan="6" style="border: none;"></td> </tr> </table>		_	_	_	_	_	_	_	_	_	_	Year	Month	Day							
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Year	Month	Day																					
Name of person to contact		Telephone number	Fax number																				
Signature of individual, authorized signing officer of the corporation		Title	Date																				

Name of transferee (print)		Business number or social insurance number																					
Address (head office if corporation)		Taxation year ended <table style="width: 100%; border: none;"> <tr> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> <td style="border: none;"> _ </td> </tr> <tr> <td style="border: none; text-align: center;">Year</td> <td style="border: none; text-align: center;">Month</td> <td colspan="2" style="border: none; text-align: center;">Day</td> <td colspan="6" style="border: none;"></td> </tr> </table>		_	_	_	_	_	_	_	_	_	_	Year	Month	Day							
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**BOX A – Calculation of qualified expenditures to be transferred for the taxation year of the transferor**

- Transferor's SR&ED qualified expenditure pool at the end of the year, before reduction for the transfer of qualified expenditures 100 \_\_\_\_\_
- Amount calculated in Box B below 102 \_\_\_\_\_
- Maximum amount that may be transferred: the lesser of amount on line 100 or 102 104 \_\_\_\_\_
- **Amount specified for the transfer:** You may transfer an amount up to the amount on line 104  
Carry this amount over to line 107 on page 1 of this form. 106 \_\_\_\_\_

**BOX B – Calculation of line 102 amount**

- Total amounts that, if the transferor were dealing at arm's length with the transferee, would be contract payments ("notional contract payments") for the performance of SR&ED for, or on behalf of, the transferee (note 1) 110 + \_\_\_\_\_
- Notional contract payments on line 110 that are not paid by the transferee on or before the day that is 180 days after the end of the taxation year of the transferor 112 – \_\_\_\_\_
- Maximum notional contract payments that may be transferred (line 110 minus line 112) 114 = \_\_\_\_\_

Calculate line 102 amount by using the formula:

Qualified expenditures incurred and paid (note 2) by the transferor in the year for the portion of the SR&ED performed at non-arm's length, that relate to the notional contract payment	+	Amounts transferred to the transferor for expenditures attributable to the SR&ED (note 3)		
Total qualified expenditures incurred in the year by the transferor before applications of subsections 127(26) and 78(4) for unpaid amounts, that relate to the notional contract payment	+	Amounts transferred to the transferor for expenditures attributable to the SR&ED	X	Maximum Notional Contract Payments (from line 114)

Enter the result on line 102 above.

**Note 1**

A contract payment includes an amount paid or payable to a taxpayer, by a taxable supplier in respect of the amount, for SR&ED to the extent that it is performed

- (i) for or on behalf of a person entitled to a deduction in respect of the amount because of subparagraph 37(1)(a)(i) or (i.1), **and**
- (ii) at a time when the taxpayer is dealing at arm's length with the person.

When calculating the amount of the notional contract payment, you should consider the possible application of subsection 18(9) to the SR&ED contract expenditure of the transferee. Where an expenditure relates to a contract for services to be performed and the services are not performed before the end of the transferee's taxation year, subsection 18(9) will apply to treat the expenditure of the transferee that is not deductible in the taxation year as not being made or incurred in the year but rather made or incurred in the taxation year in which the services are actually performed.

**Note 2**

The expenditures must be paid by the performer on or before the day that is 180 days after the end of the taxation year in which they are incurred. Do not include expenditures that are not paid within that time.

**Note 3**

This would be the case where the transferor has subcontracted all or a portion of the SR&ED to a non-arm's length subcontractor and the subcontractor transferred its qualified expenditures attributable to the SR&ED to the transferor.