SCHEDULE 31
Code 0301

INVESTMENT TAX CREDIT – CORPORATIONS (2003 and later taxation years)

General information

1. For use by a corporation that during a taxation year:
   a) earned an investment tax credit (ITC);
   b) is claiming a deduction against their Part I tax payable;
   c) is claiming a refund of credit earned during the current taxation year;
   d) is claiming a carry-forward of credit from preceding taxation years;
   e) is transferring a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the federal *Income Tax Act*;
   f) is requesting a credit carry-back; or
   g) is subject to a recapture of ITC.
2. References to parts, sections, and subsections on this schedule are from the federal *Income Tax Act* and the federal *Income Tax Regulations*. References to interpretation bulletins and information circulars are to the latest versions.
3. The ITC is eligible for a three-year carryback (if not deductible in the year earned) and a ten-year carryforward.
4. Investments or expenditures, as defined in subsection 127(9) and Part XLVI of the federal *Income Tax Regulations*, that earn the ITC are:
   - qualified property;
   - certified property;
   - qualified expenditures for scientific research and experimental development (SR&ED). Complete and file Form T661, *Claim for Scientific Research and Experimental Development Expenditures Carried on in Canada*; and
   - pre-production mining expenditures.
5. Attach a completed copy of this schedule with the *T2 Corporation Income Tax Return*.
6. For more information on ITCs, see the section called "Investment Tax Credit" in the *T2 Corporation – Income Tax Guide*, Information Circular IC 78-4, *Investment Tax Credit Rates*, and its related Special Release. Also, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures.*
7. For information on SR&ED, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures,* Information Circular IC 86-4, *Scientific Research and Experimental Development,* Guide T4052, *An Introduction to the Scientific Research and Experimental Development Program*, and Guide T4088*, Claiming Scientific Research and Experimental Development* (guide to Form T661).

Detailed information

1. For the purpose of this schedule, **investment** means:
   The capital cost of the property (excluding amounts added by an election under section 21), determined without reference to subsections 13(7.1) and 13(7.4), minus the amount of any government assistance or non-government assistance that the corporation has received, is entitled to receive, or can reasonably be expected to receive for that property when it files the income tax return for the year in which the property was acquired.
2. An ITC deducted or refunded in a taxation year for a depreciable property, other than a depreciable property deductible under paragraph 37(1)(b), reduces the capital cost of that property in the next taxation year. It also reduces the undepreciated capital cost of that class in the next taxation year. An ITC for SR&ED deducted or refunded in a taxation year will reduce the balance in the pool of deductible SR&ED expenditures and the adjusted cost base (ACB) of an interest in a partnership in the next taxation year. An ITC from pre-production mining expenditures deducted in a taxation year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next taxation year.
3. Property acquired has to be "available for use" before a claim can be made for an ITC.
4. Qualified expenditures for SR&ED and capital costs for a property qualifying for an ITC must be identified by the claimant on Form T661 and Schedule 31 no later than 12 months after the claimant's income tax return is due for the taxation year in which the expenditures or capital costs were incurred.
5. Partnership allocations – Subsection 127(8) provides for the allocation of the amount that may reasonably be considered to be a partner's share of the ITCs of the partnership at the end of the fiscal period of the partnership. An allocation of ITCs is generally considered to be the partner's reasonable share of the ITCs if it is made in the same proportion in which the partners have agreed to share any income or loss and if section 103 of the Act is not applicable for the agreement to share any income or loss. For more information, see Interpretation Bulletin IT-151.

Corporation's name	Business Number	Taxation year-end Year Month Day

Part 1 – Investments or expenditures, percentages, and codes

	Specified percentage	Code
Investments		
Qualified property acquired primarily for use in Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, the Gaspé Peninsula, or a prescribed offshore region	10%	14
Expenditures		
If you are a Canadian-controlled private corporation (CCPC) throughout the taxation year, code 11B may apply to you on the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10 on page 4)	35%	11B
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10 on page 4), the excess is eligible for an ITC calculated at the 20% rate.		
If you are a corporation that is not a CCPC throughout the current taxation year that incurred qualified expenditures for SR&ED in any area in Canada after 1995	20%	3B
If you are a taxable Canadian corporation that incurred pre-production mining expenditures:		
• in 2003	5%	—
• in 2004	7%	—
• after 2004	10%	—

Part 2 – Determination of a qualifying corporation

Is the corporation a qualifying corporation? . . . . . **101** 1 Yes ☐ 2 No ☐

For the purpose of a refundable ITC, a **qualifying corporation** is defined under subsection 127.1(2). The corporation has to be a CCPC throughout the current taxation year and the taxable income (before any loss carrybacks) for its preceding year cannot be more than its business limit for that preceding year. If the corporation is associated with any other corporations during the taxation year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last taxation year ending in the preceding calendar year, cannot be more than the total of their business limits for that last year.

If you are a qualifying corporation, you will earn a 100% refund on its share of any investment tax credits earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

Some CCPCs that are not qualifying corporations may also earn a 100% refund on their share of any investment tax credits earned at the 35% rate on qualified current expenditures for SR&ED, up to the allocated expenditure limit. The expenditure limit can be determined in Part 10 on page 4. The 100% refund does not apply to qualified capital expenditures eligible for the 35% credit rate. They are only eligible for the 40% refund.

The 100% refund will not be available to a corporation that is an **excluded corporation** as defined under subsection 127.1(2). A corporation is an excluded corporation if, at any time during the year, it is a corporation that is either controlled by (directly or indirectly, in any manner whatever) or is related to:

a) one or more persons exempt from Part I tax under section 149;
b) Her Majesty in right of a province, a Canadian municipality, or any other public authority; or
c) any combination of persons referred to in a or b above.

Part 3 – Corporations in the farming industry

Did the corporation pay a contribution to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? . . . . . **102** 1 Yes ☐ 2 No ☐

If *Yes*, complete Schedule 125, *Income Statement Information*, to identify the type of farming industry the corporation is involved in. For more information on Schedule 125, see the *Guide to the General Index of Financial Information (GIFI) for Corporations*.

Part 4 – Eligible investments for qualified property from the current taxation year – code 14 only

	CCA class number 105	Description of investment 110	Date available for use 115	Location used (province) 120	Amount of investment 125
1.					
2.					
3.					
4.					
5.					
6.					
7.					

Total investment – enter in formula on line 240 in Part 5 ______

Part 5 – Calculation of current-year credit and account balances – ITC from investments in qualified property

ITC at the end of the preceding taxation year . . . . . . ______

Deduct:

Credit deemed as a remittance of co-op corporations . . . . . . 210 ______

Credit expired after 10 taxation years . . . . . . 215 ______

Subtotal ______ ► ______

ITC at the beginning of the taxation year . . . . . . 220 ______

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . . . . 230 ______

ITC from repayment of assistance . . . . . . 235 ______

Total current-year credit: total of column 125 ______ × 10% = ... 240 ______

Credit allocated from a partnership . . . . . . 250 ______

Subtotal ______ ► ______

Total credit available . . . . . . ______

Deduct:

Credit deducted from Part I tax (enter on line FFF in Part 19) . . . . . . 260 ______

Credit carried back to the preceding year(s) (from Part 6) . . . . . . ______ A

Credit transferred to offset Part VII tax liability . . . . . . 280 ______

Subtotal ______ ► ______

Credit balance before refund . . . . . . ______ B

Deduct:

Refund of credit claimed on investments from qualified property (from Part 7) . . . . . . 310 ______

ITC closing balance of investments from qualified property . . . . . . 320 ______

Part 6 – Request for carryback of credit from investments in qualified property

	Year	Month	Day		
1st preceding taxation year				Credit to be applied 901	______
2nd preceding taxation year				Credit to be applied 902	______
3rd preceding taxation year				Credit to be applied 903	______

Total (enter on line A in Part 5) ______

Corporation's name	Business Number	Taxation year-end Year Month Day

Part 7 – Calculation of refund for qualifying corporations on investments from qualified property

Current-year ITCs (total of lines 240 and 250 in Part 5) . . . . ________ C

Credit balance before refund (amount B from Part 5) . . . . ________ D

Refund (40% of amount C or D, whichever is less) . . . . ________ E

Enter amount E or a lesser amount on line 310 in Part 5 (also enter on line 780 of the T2 return if no SR&ED ITC refund is claimed).

Part 8 – Qualified expenditures for SR&ED

Current expenditures . . . . **350** ________

Capital expenditures . . . . **360** ________

Repayments made in the year (from line 560 on Form T661) . . . . **370** ________

Total (this must equal the amount from line 570 on Form T661) . . . . **380** ________

Part 9 – Components of the SR&ED expenditure limit calculation

Complete this section if the corporation is not associated with any other corporations (the components for associated corporations will be determined on Schedule 49). This Part only applies to a CCPC throughout the current taxation year.

A) Enter your taxable income for the preceding taxation year* . . . . **390** ________

B) Enter your reduced business limit for the current taxation year* (this amount cannot be more than the amount at line 4 on page 4 of the T2 return) . . . . **395** ________

* If either of the taxation years referred to at line 390 or 395 are less than 51 weeks, gross up the taxable income and/or the business limit for the applicable taxation year by the ratio that 365 is of the number of days in those taxation years. For details on the expression "Reduced business limit", see line 652 of the *T2 Corporation – Income Tax Guide.*

Part 10 – Calculation of SR&ED expenditure limit for a CCPC throughout the current taxation year

For stand-alone corporations:

$5,000,000*

Subtract: line 390 from Part 9 or $300,000*, whichever is more . . . . ________ × 10 = ________

Excess (if negative, enter "0") . . . . ________ F

Line F ________ × $\frac{\text{Line 395}}{\text{Line 4 on page 4 of the T2 return}}$ ________ = ... ________ **G

For associated corporations:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49 . . . . **400** ________ **H

Where the taxation year of the corporation is less than 51 weeks, calculate the amount of the expenditure limit as follows:

Line G or H ________ × $\frac{\text{Number of days in the taxation year}}{365}$ ________ = ... ________ I

Your SR&ED expenditure limit for the year (enter the amount from line G, H, or I, whichever applies) . . . . . . **410** ________

* If your taxation year immediately follows a taxation year that ended before 2003, the references to $5,000,000 and $300,000 should be $4,000,000 and $200,000 respectively.

** Amount G or H cannot be more than $2,000,000.

Part 11 – Calculation of investment tax credits on SR&ED expenditures

Enter whichever is less: current expenditures (line 350 from Part 8) or the expenditure limit (line 410 from Part 10)*	420		× 35% =		J
Line 350 minus line 410 (if negative, enter "0")	430		× 20% =		K
Line 410 minus line 350 (if negative, enter "0")			L		
Enter whichever is less: capital expenditures (line 360 from Part 8) or line L above*	440		× 35% =		M
Line 360 minus line L (if negative, enter "0")	450		× 20% =		N

Repayments (amount from line 370 in Part 8) . . . . ________

If a corporation makes a repayment of any government assistance, non-government assistance, or contract payments that reduced the amount of qualified expenditures for ITC purposes, the amount of the repayment is eligible for a credit at the rate that would have applied to the repaid amount.

460		× 35% =			
470		× 30% =			
480		× 20% =			
		Total		▶	O

Current-year SR&ED ITC (total of lines J, K, M, N, and O; enter on line 540 in Part 12) . . . . ________

***** For corporations that are not CCPCs throughout the year, enter "0" on lines J and M.

Part 12 – Calculation of current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the preceding taxation year				
Deduct:				
Credit deemed as a remittance of co-op corporations	510			
Credit expired after 10 taxation years	515			
Subtotal			▶	
ITC at the beginning of the taxation year			520	
Add:				
Credit transferred on amalgamation or wind-up of subsidiary	530			
Total current-year credit	540			
Credit allocated from a partnership	550			
Subtotal			▶	
Total credit available				
Deduct:				
Credit deducted from Part I tax (enter on line GGG in Part 19)	560			
Credit carried back to the preceding year(s) (from Part 13)			P	
Credit transferred to offset Part VII tax liability	580			
Subtotal			▶	
Credit balance before refund				Q
Deduct:				
Refund of credit claimed on expenditures of SR&ED (from Part 14 or 15, whichever applies)			610	
ITC closing balance on SR&ED			620	

Part 13 – Request for carryback of credit from SR&ED expenditures

	Year	Month	Day			
1st preceding taxation year				Credit to be applied	911	
2nd preceding taxation year				Credit to be applied	912	
3rd preceding taxation year				Credit to be applied	913	
				Total (enter on line P in Part 12)		

Corporation's name	Business Number	Taxation year-end Year | Month | Day

Part 14 – Calculation of refund of ITC for qualifying corporations – SR&ED

Complete this part only if you are a qualifying corporation as determined at line 101 on page 2.

Is the corporation an excluded corporation as defined under subsection 127.1(2)? . . . . **650** 1 Yes ☐ 2 No ☐

Credit balance before refund (amount Q from Part 12) . . . . ______ AA

Current-year ITC (lines 540 plus 550 from Part 12 **minus** line O from Part 11) . . . . ______ BB

Refundable credits (amount AA or BB, whichever is less)* . . . . ______ CC

Amount J from Part 11 . . . . ______ DD

Subtract: Amount CC or DD, whichever is less . . . . ______ EE

Net amount (if negative, enter "0") . . . . ______ FF

Amount FF ______ x 40% . . . . ______ GG

Add: Amount EE . . . . ______ HH

Refund of ITC (amounts GG **plus** HH – enter this, or a lesser amount, on line 610 in Part 12) . . . . ______ II

Enter the total of lines 310 from Part 5 and 610 from Part 12 on line 780 of the T2 return.

* If you are also an excluded corporation [as defined in subsection 127.1(2)], this amount should be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC on line II.

Part 15 – Calculation of refund of ITC for CCPCs that are not qualifying or excluded corporations – SR&ED

Complete this box only if you are a CCPC that is not a qualifying or excluded corporation as determined in Section 2 on page 2.

Credit balance before refund (amount Q from Part 12) . . . . ______ JJ

Amount J from Part 11 . . . . ______ KK

Subtract: Amount JJ or KK, whichever is less . . . . ______ LL

Net amount (if negative, enter "0") . . . . ______ MM

Amount M from Part 11 . . . . ______ NN

Amount MM or NN, whichever is less ______ x 40% . . . . ______ OO

Add: Amount LL above . . . . ______ PP

Refund of ITC (amounts OO **plus** PP) . . . . ______ QQ

Enter QQ, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Part 16 – Pre-production mining expenditures

Exploration information

A mineral resource that qualifies for the credit means a mineral deposit from which the principal mineral to be extracted is diamond, a base or precious metal deposit, or a mineral deposit from which the principal mineral to be extracted is an industrial mineral that, when refined, results in a base or precious metal.

In column 800, list all minerals for which pre-production mining expenditures have taken place in the taxation year and after 2002. Attach additional schedules if more space is required.

	List of minerals 800
1.	
2.	
3.	
4.	

For each of the minerals reported in column 800 above, identify each project, mineral title, and mining division where title is registered. If there were no mineral title, identify the project and mining division only. Attach additional schedules if more space is required.

	Project name 805	Mineral title 806	Mining division 807
1.			
2.			
3.			
4.			

Pre-production mining expenditures *

Pre-production mining expenditures that the corporation incurred in the taxation year and after 2002, for the purpose of determining the existence, location, extent, or quality of a mineral resource in Canada:

Prospecting . . . . . 810 ______ RR

Geological, geophysical, or geochemical surveys . . . . . 811 ______ SS

Drilling by rotary, diamond, percussion, or other methods . . . . . 812 ______ TT

Trenching, digging test pits, and preliminary sampling . . . . . 813 ______ UU

Pre-production mining expenditures incurred in the taxation year and after 2002 for bringing a new mine in a mineral resource in Canada into production in reasonable commercial quantities and incurred before the new mine comes into production in such quantities:

Clearing, removing overburden, and stripping . . . . . 820 ______ VV

Sinking a mine shaft, constructing an adit, or other underground entry . . . . . 821 ______ WW

Other pre-production mining expenditures incurred in the taxation year and after 2002 (attach additional schedules if more space is required):

	Description 825	Amount 826
1.		
2.		
3.		
4.		

Add amounts at column 826 ______ ► ______ XX

Total pre-production mining expenditures (add amounts RR to XX) 830 ______

Deduct: Total of all assistance (grants, subsidies, rebates, and forgivable loans) or reimbursements that the corporation has received or is entitled to receive in respect of the amounts referred to at line 830 above . . . . . 832 ______

Excess (line 830 minus line 832) (if negative, enter "0") ______ YY

Add: Repayments of government and non-government assistance . . . . . 835 ______ ZZ

Pre-production mining expenditures (amount YY plus amount ZZ). . . . . ______ AAA

* A pre-production mining expenditure is defined under subsection 127(9) which does not include an amount renounced under subsection 66(12.6).

Corporation's name	Business Number	Taxation year-end Year Month Day

Part 17 – Calculation of current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the preceding taxation year . . . . ______

Deduct:

Credit deemed as a remittance of co-op corporations . . . . **841** ______

Credit expired after 10 taxation years . . . . **845** ______

Subtotal ______ ► ______

ITC at the beginning of the taxation year . . . . **850** ______

Add:

Credit transferred on amalgamation or wind-up of subsidiary . . . . **860** ______

Expenditures from line AAA, Part 16, incurred in 2003 **865** ______ x 5% = ______ BBB

Expenditures from line AAA, Part 16, incurred in 2004 **867** ______ x 7% = ______ CCC

Expenditures from line AAA, Part 16, incurred after 2004 **870** ______ x 10% = ______ DDD

Total current-year credit (add amounts BBB, CCC, and DDD) . . . . **880** ______ ► ______

Total credit available . . . . ______

Deduct:

Credit deducted from Part I tax (enter on line HHH in Part 19) . . . . **885** ______

Credit carried back to the preceding year(s) (from Part 18) . . . . ______ EEE

Subtotal ______ ► ______

ITC closing balance from pre-production mining expenditures . . . . **890** ______

Part 18 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day		
1st preceding taxation year				Credit to be applied **921**	______
2nd preceding taxation year				Credit to be applied **922**	______
3rd preceding taxation year				Credit to be applied **923**	______
				Total (enter on line EEE in Part 17)	______

Part 19 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) . . . . ______ FFF

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) . . . . ______ GGG

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 17) . . . . ______ HHH

Total ITC deducted from Part I tax (add lines FFF, GGG, and HHH) . . . . ______ III
(Enter amount III at line 652 on page 7 of the T2 return.)

Part 20 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED

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

- you acquired a particular property in the current year or in any of the 10 preceding taxation years;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661 or T665;
- the cost of the property was included in computing your ITC or was the subject of an agreement made under subsection 127(13) to transfer qualified expenditures; and
- you disposed of the property or converted it to commercial use after February 23, 1998. This condition is also met if you disposed of or converted to commercial use a property which incorporates the particular 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 SR&ED. When the non-arm's-length purchaser later sells or converts the property to commercial use, the recapture rules will apply to the purchaser based on the historical ITC rate of the original user.

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. In the following taxation year, add the amount of the ITC recapture to the SR&ED expenditure pool.

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 of the above conditions

	Amount of ITC you originally calculated for the property you acquired, or the original user's ITC where you acquired the property from a non-arm's-length party, as described in the note above **700**	Amount calculated using ITC 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 (enter this amount on line MMM in Part 21) ____________ JJJ

Calculation 2 – Only if you acquired all or a part of the qualified expenditure from another person under an agreement described in subsection 127(13); otherwise, enter nil at line KKK in Part 20 on page 10.

	A The rate percentage that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement **720**	**B** The proceeds of disposition of the property if you dispose of it to an arm's length person; or, in any other case, enter the fair market value of the property at conversion or disposition **730**	**C** 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 10.

Corporation's name	Business Number	Taxation year-end Year Month Day

Part 20 – Calculating the recapture of ITC for corporations and corporate partnerships – SR&ED (continued)

Calculation 2 (continued) – Only if you acquired all or a part of the qualified expenditure from another person under an agreement described in subsection 127(13); otherwise, enter nil on line KKK below.

	D The amount determined by the formula **(A x B) - C** (using the columns on page 9)	E The ITC earned by the transferee in respect of the qualified expeditures which were transferred 750	F Amount from column D or E, whichever is less
1.			
2.			
3.			
4.			
5.			

Subtotal (enter this amount on line NNN in Part 21) ______ KKK

Calculation 3

As a member of the partnership, you will report your share of the ITC of the partnership after the ITC has been reduced by the amount of the recapture. If this amount is a positive amount you will report it on line 550 in Part 12 on page 5. However, if the partnership does not have sufficient ITC otherwise available to offset the recapture, then the amount by which reductions to ITC exceed additions (the excess) will be determined and reported on line LLL below.

Corporate partner's share of the excess of ITC (amount to be reported on line OOO in Part 21) 760 ______ LLL

Part 21 – Total recapture of investment tax credit

Recaptured ITC for calculation 1 from line JJJ in Part 20 on page 9 . . . . ______ MMM

Recaptured ITC for calculation 2 from line KKK in Part 20 above . . . . ______ NNN

Recaptured ITC for calculation 3 from line LLL in Part 20 above . . . . ______ OOO

Total recapture of investment tax credit – Add lines MMM, NNN, and OOO . . . . ______ PPP
(Enter amount PPP at line 602 on page 7 of the T2 return.)