Canada Revenue Agency / Agence du revenu du Canada

SCHEDULE 49
Code 0802

AGREEMENT AMONG ASSOCIATED CANADIAN-CONTROLLED PRIVATE CORPORATIONS TO ALLOCATE THE EXPENDITURE LIMIT (2008 and later tax years)

- Use this schedule to allocate the annual expenditure limit among associated Canadian-controlled private corporations (CCPCs), (subsection 127(10.2) of the *Income Tax Act*), in order to calculate the investment tax credit eligible for the 35% rate on qualifying scientific research and experimental development expenditures.
- An associated CCPC that has more than one tax year ending in a calendar year is required to file an agreement for each tax year ending in that calendar year.

Column 1: Enter the legal name of each corporation in the associated group, including CCPCs and non-CCPCs.
Column 2: Provide the Business Number for each corporation in column 1 (if a corporation is not registered, enter "NR").
Column 3: Enter 1 for CCPC's or 2 for Non-CCPC's that applies for each corporation identified in columns 1 and 2.
Column 4: Enter the amount of the expenditure limit allocated to each corporation that has type of corporation code 1 in column 3. The rules for determining the expenditure limit that can be allocated (subsection 127(10.2) of the *Income Tax Act*) are explained below.

Allocating the expenditure limit

Date filed (do not use this area) .... 025 Year | Month | Day

Enter the calendar year to which the agreement applies .... 050 Year

Is this an amended agreement for the above-noted calendar year that is intended to replace an agreement previously filed by any of the associated corporations listed below? .... 075 1 Yes ☐ 2 No ☐

	1 Names of associated corporations 100	2 Business Number of associated corporations 200	3 Type of corporation code 300	4 Expenditure limit allocated* $ 400
1.				
2.				
3.				
4.				
5.				

The expenditure limit (cannot be more than $3,000,000) 410 ______

The expenditure limit is calculated using the following amounts:

A = the greater of:
- $400,000 (used in calculations 1, 2, 3 and EE of calculation 5) or $500,000 (used in calculation 4 and FF of calculation 5); and
- the total of all taxable incomes (prior to any loss carry-backs applied) of all associated corporations identified in columns 1 and 2 for their last tax years** ending in the preceding calendar year.

B = the total of the reduced business limits for the year** from line 425 in the small business deduction area of the T2 return for each of the associated CCPCs.

C = the total of all business limits allocated to each associated corporation identified in columns 1 and 2 above (amount A from Schedule 23).

D = the total of all taxable capital employed in Canada of all associated corporations for their last tax year ending in the preceding calendar year minus $10 million. If this amount is nil or negative, enter "0". If this amount is over $40 million, enter $40 million.

Amount A 425 ______ Amount B 450 ______ Amount C 475 ______ Amount D 495 ______

Note: Amounts B and C are applicable where any of the associated CCPC's have days in the tax year before February 27, 2008. Amount D is applicable where any of the associated CCPC's have days in the tax year after February 25, 2008.

1) If the tax year of the associated CCPC ends before February 26, 2008, see Calculation 1 on page 2.

2) If the tax year of the associated CCPC starts after February 26, 2008 and ends before January 1, 2010, see Calculation 2 on page 2.

3) If the tax year of the associated CCPC includes February 26, 2008, see Calculation 3 on page 2.

4) If the tax year of the associated CCPC starts after December 31, 2009, see Calculation 4 on page 2.

5) If the tax year of the associated CCPC includes January 1, 2010, see Calculation 5 on page 2.

* Special rules apply if a CCPC has more than one tax year ending in a calendar year and is associated in more than one of those years with another CCPC that has a tax year ending in the same calendar year. In this case, the expenditure limit for the second (and subsequent) tax year(s) will be equal to the expenditure limit allocated for the first tax year ending in the calendar year.

** If any of the tax years referred to in A or B above are less than 51 weeks, gross up the taxable incomes and the business limits for those tax years by the ratio that 365 is of the number of days in those tax years. Use these grossed up amounts when calculating the expenditure limit.

Calculation of expenditure limit for each associated CCPC

Calculation 1: Tax year ends before February 26, 2008.

($6,000,000 **minus** 10A) × B **divided by** C.

Calculation 2: Tax year starts after February 26, 2008 and ends before January 1, 2010.

($7,000,000 **minus** 10A) × ($40,000,000 **minus** D) **divided by** $40,000,000.

Calculation 3: Tax year includes February 26, 2008.

AA + [(BB **minus** AA) × (CC **divided by** DD)] where,

AA = ($6,000,000 **minus** 10A) × B **divided by** C;
BB = ($7,000,000 **minus** 10A) × ($40,000,000 **minus** D) **divided by** $40,000,000;
CC = number of days in the tax year after February 25, 2008; and
DD = number of days in the tax year.

Calculation 4: Tax year starts after December 31, 2009.

[($8,000,000 **minus** 10A) × (($40,000,000 **minus** D) **divided by** $40,000,000)]

Calculation 5: Tax year includes January 1, 2010.

EE + [(FF **minus** EE) × (GG **divided by** HH)] where,

EE = [($7,000,000 **minus** 10A) × (($40,000,000 **minus** D) **divided by** $40,000,000)];
FF = [($8,000,000 **minus** 10A) × (($40,000,000 **minus** D) **divided by** $40,000,000)];
GG = number of days in the tax year after December 31, 2009; and
HH = number of days in the tax year.

Allocation of the expenditure limit

The expenditure limit allocated at line 400 for each particular corporation cannot exceed the amount determined for it for the tax year by the above formula. The portion of the corporation's expenditure limit that is not allocated to itself can be allocated to another associated corporation to the extent of the associated corporation's expenditure limit under subsection 127(10.3) of the *Income Tax Act*.

Example:

Tax year end of corporation X is 2008-01-31 and its individual expenditure limit is $2,000,000.
Tax year end of corporation Y is 2008-04-30 and its individual expenditure limit is $2,200,000.
Tax year end of corporation Z is 2008-12-31 and its individual expenditure limit is $2,700,000.

If corporation Z allocates $500,000 to itself, the remaining $2,200,000 can be allocated to corporations X and Y. However, the allocation to corporation X cannot exceed its individual expenditure limit of $2,000,000.