



## INVESTMENT TAX CREDIT (INDIVIDUALS)

Use this form if:

- you earned an investment tax credit (ITC) during the current tax year or you are claiming a carryforward of ITC from a previous tax year. File one completed copy of Part A of this form with your income tax return for the year in which you acquired a qualified or certified property, made a qualified expenditure (which includes contributions made to agricultural organizations), or were allocated renounced Canadian exploration expenses;
- you have a recapture of ITC on a scientific research and experimental development (SR&ED) expenditure. File one completed copy of Part A of this form with your income tax return for the year in which you recapture an ITC on an SR&ED expenditure; or
- you are requesting an ITC carryback or you are claiming a refund for an ITC earned during the current tax year. File one completed copy of Part B of this form with your income tax return.

You have to file this form no later than 12 months after the filing due date of your income tax return for the tax year in which you acquired the property or made the expenditure.

**Qualified property** includes certain new buildings, machinery, and equipment. You must acquire the property and use it for a designated purpose such as logging, storing grain, producing industrial minerals, manufacturing or processing goods for sale or lease, farming, or fishing. It must be used in the specific areas we list on the next page.

**Certified property** is a particular type of qualified property acquired primarily for use in a prescribed area. You will find a list of prescribed areas in Information Circular 78-4, *Investment Tax Credit Rates*, and its Special Release. For more details on certified property, see note 1 on the next page.

### Qualified expenditure

To be a qualified expenditure, the amount has to be for SR&ED. If you are claiming an ITC for a qualified expenditure in SR&ED, or you have a recaptured amount for an ITC previously claimed on an expenditure for SR&ED (codes 3B and 4B), file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) Expenditures Carried out in Canada*, with your income tax return. You do not have to file Form T661 if you are claiming a credit for contributions made to agricultural organizations, or a credit based on a credit allocated to you by a partnership on a T5013 slip, *Statement of Partnership Income*. If you are a partner of a partnership, you should only include your portion of the partnership's investment or expenditure. For more details on SR&ED, see the following publications:

- The guide to Form T661, *Claiming Scientific Research and Experimental Development Expenditures*
- Information Circular 86-4, *Scientific Research and Experimental Development*
- Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*

### Renounced Canadian exploration expenses

Certain renounced Canadian exploration expenses qualify for the ITC. You can claim this credit if you received Form T101, *Statement of Resource Expenses*, with an amount in box 128, or a T5013 slip, *Statement of Partnership Income*, with an amount in box 138.

### How to calculate your ITC

The ITC is based on a percentage of the investment cost (the cost of the property you purchased and the expenditures you made). If you received any reimbursement, inducement, or government or non-government assistance (including grants, subsidies, forgivable loans, or deductions from tax and investment allowances) that we can reasonably consider to relate to the property or expenditure, you have to decrease your investment cost by the amount you received. If you repay any of this assistance, add the repayment to the investment cost. Calculate the credit for any repayment using the same percentage you used for the original investment cost.

Determine your credit at the end of 2004. If the fiscal year-end of your business is in 2004, include any credit you earn on the property you buy during the calendar year.

**Available for use** – Properties acquired, and SR&ED capital expenditures incurred to acquire property, are eligible for an ITC claim only when the properties are considered to be available for use. For an explanation of "available for use," see the *Business and Professional Income* guide, the *Farming Income* guide, the *Farming Income and the CAIS Program* guide, or the *Fishing Income* guide.

**Eligibility** – Investments and expenditures are eligible for an ITC only when the income from the related business is subject to Part I tax.

### How to claim your 2004 ITC

You can use the credit that you earn in 2004 to reduce your federal tax for a previous year, or to reduce your federal tax for 2004 or for a future year. See also "Refund of ITC" on the back of this page.

**Current-year claim** – To calculate your claim to reduce your federal income tax for 2004, complete Part A of this form. Enter the amount of your credit on line 412 of Schedule 1 of your income tax return. If a partnership or trust made the investments, enter only your share.

**Carryback to previous years** – You can carry back the credit you earn in 2004 for up to three years and use it to reduce your federal tax in those years. To do this, complete Part B of this form.

**Carryforward to future years** – You can carry forward for up to 10 years a credit you earn in 2004 that was not refunded to you, or that you did not use to reduce federal tax in 2004 or federal tax in the three previous years. However, you lose any credits you do not use within 10 years of earning them.

## Property purchased or expenditures made before 2004

You may be able to apply unused ITCs from expenditures or acquisitions made from 1994 to 2003 on your 2004 income tax return. To do this, complete Part A of this form.

## Refund of ITC

If you do not use all of your ITC to reduce your taxes in the year or in the three previous years, we may refund up to 40% of your unused credit to you in cash. You can only claim this refund in the year you buy property or make an expenditure that qualifies for the credit, unless the available-for-use rules (or other rules deeming the expenditure to have been made in a subsequent year) apply. To claim a refund of ITC, complete Part B of this form. Enter this amount on line 454 of your income tax return. If a partnership or trust made the investments, enter only your share of the amount.

## Adjustments

The credit you claim or that we refund to you for 2004 reduces the capital cost of the property. Any 2004 credit you carry back to a previous year will also reduce the capital cost of the property. Make this adjustment in 2005. This adjustment reduces the capital cost allowance you can claim for the property. It also affects your capital gain when you dispose of the property. You might have claimed a credit or received a refund for 2004 for a property that you already disposed of. In addition, you might still have other property in the same class. If so, reduce the undepreciated capital cost of the class for 2005 by the amount of the credit you claimed or received as a refund. If, after the disposition, you do not have any property left in the same class, include in your 2005 income the amount of the credit you claimed or received as a refund. Enter the amount as other income on line 9600 if you are filing Form T2042, T1163, or T1164. Enter it on line 8230 if you are filing Form T2032 or T2124.

## Other adjustments

A credit deducted or refunded will also reduce the balance in the SR&ED pool, the adjusted cost base (ACB) of an interest in a partnership, and the ACB of a capital interest in a trust in the next tax year.

## Partnership

If you are a partner of a partnership, include only your part of the partnership investment or expenditure. An ITC earned by a partnership is usually allocated to a partner. However, an ITC earned on qualified SR&ED expenditures may not be allocated to a specified partner of a partnership.

If you received an allocation of ITC from a partnership, use the credit and the rate to calculate your share of the investment cost or expenditure. Enter this cost or expenditure on the line corresponding to the appropriate rate.

## ITC – Investment or expenditures, percentages, and codes

Review the codes shown below and use the one that applies to you in Part A of this form.

Type of investment or expenditure	Specified percentage	Code
<b>Certain certified property</b> – (see Note 1 below)	30%	3A
<b>Qualified expenditures for SR&amp;ED carried out in the following specific areas:</b> <ul style="list-style-type: none"><li>Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, or the Gaspé Peninsula (see Note 2 below); or</li><li>any other area in Canada.</li></ul>	20%	3B
<b>Contributions made after 2002 to agricultural organizations for SR&amp;ED carried out in Canada</b> – (see Note 5 below)	20%	4B
<b>Contributions made after 2002 to agricultural organizations for SR&amp;ED carried out in Canada</b> – (see Note 5 below)	20%	4C
<b>Qualified property acquired after 1994 for use in the following specific areas:</b> <ul style="list-style-type: none"><li>Newfoundland and Labrador, Prince Edward Island, Nova Scotia, New Brunswick, or the Gaspé Peninsula, or a prescribed offshore region (see Note 3 below).</li></ul>	10%	12
<b>Renounced Canadian exploration expenses</b> – (see Note 4 below)	15%	5

### Notes

**1 – Certified property** must be part of a facility as defined in the *Regional Development Incentives Act*, which you acquired primarily for use in a prescribed area. It must also meet one of the following conditions:

- you acquired it under a written agreement entered into before February 22, 1994;
- it was under construction by or for you on that date;
- it is machinery or equipment that will be a fixed and integral part of the property under construction by or for you on that date; or
- it has not been used or acquired for lease or for any purpose whatsoever before it was acquired by you.

The 30% rate may also be available for certified property that you acquired after 1994 and before 1996. This rate will apply if:

- you acquired the property for use in a project that was substantially advanced by you or for you, as evidenced in writing, before February 22, 1994; and
- construction on the project by you or on your behalf began before 1995.

**2 – For qualified expenditures** incurred after 1994, the rate is 20%.

However, for the Atlantic Provinces and the Gaspé Peninsula, qualified expenditures incurred under a written agreement entered into before February 22, 1994, will still qualify for the 30% rate.

**3 – Qualified property** you acquired under a written agreement entered into before February 22, 1994, will still qualify for the 15% rate.

**4 – For Canadian exploration expenses renounced** to an individual by a corporation under a flow-through share agreement entered into after October 17, 2000, the rate is 15%. The corporation must have incurred the expenses after October 17, 2000, and before January 1, 2006 (January 1, 2007, if "lookback" rule applies).

**5 – Contributions made to agricultural organizations** for SR&ED in 2001 and 2002 qualify for the 20% rate. Enter the amount in box 6712 with a note on the top of the form indicating that your claim is for contributions to agricultural organizations.

## More information

For details about the recapture of ITCs, and for other information about ITCs, visit our Web site at [www.cra.gc.ca](http://www.cra.gc.ca) or see the following publications:

- Interpretation Bulletin IT-411, *Meaning of Construction*
- Information Circular IC 78-4, *Investment Tax Credit Rates*, and its Special Release

**INVESTMENT TAX CREDIT (INDIVIDUALS)**

**Part A – Calculating an investment tax credit (ITC)**

**Calculating an ITC for the current tax year** – Tick the appropriate box.

Code 3A	<input type="checkbox"/>	(Note 1 on previous page)	Total investment	}	.....	<b>6710</b>	_____	x 0.30 =	_____
Code 3B	<input type="checkbox"/>	(Note 2 on previous page)	Total expenditure		.....				
Code 3B	<input type="checkbox"/>	<b>Incurred after 1994</b> (Note 2 on previous page)	Total expenditure	}	.....	<b>6712</b>	_____	x 0.20 =	<b>+</b> _____
Code 4B	<input type="checkbox"/>	(Note 2 on previous page)	Total expenditure		.....				
Code 4C	<input type="checkbox"/>	<b>Incurred after 2002</b> (Note 5 on previous page)	Total expenditure	.....		<b>6715</b>	_____	x 0.20 =	<b>+</b> _____
Code 12	<input type="checkbox"/>	<b>Acquired after 1994</b>	Total investment	.....		<b>6714</b>	_____	x 0.10 =	<b>+</b> _____
Code 12	<input type="checkbox"/>	(Note 3 on previous page)	Total investment	.....		<b>6716</b>	_____	x 0.15 =	<b>+</b> _____

**Total current-year refundable credits** ..... = \_\_\_\_\_ **A**

Enter the total from line A in column 2 on the back of the form.

Code 5	<input type="checkbox"/>	(Note 4 on previous page)	Total expense	.....		<b>6717</b>	_____	x 0.15 =	_____ <b>B</b>
--------	--------------------------	---------------------------	---------------	-------	--	-------------	-------	----------	----------------

**Total current-year non-refundable credits** – Enter the total from line B in column 3 on the back of the form.

**Recapture of ITC on SR&ED expenditures**

Amount of expenditure on which ITC is recaptured at 30% (see "Qualified expenditure" on the first page). Do not enter more than the amount of the original expenditure	.....	<b>6711</b>	_____	x 0.30 =	<b>+</b> _____	(i)
--	-------	-------------	-------	----------	----------------	-----

Amount of expenditure on which ITC is recaptured at 20% (see "Qualified expenditure" on the first page). Do not enter more than the amount of the original expenditure	.....	<b>6713</b>	_____	x 0.20 =	<b>+</b> _____	(ii)
--	-------	-------------	-------	----------	----------------	------

**Total of recaptured credits** – Line (i) plus line (ii) ..... = \_\_\_\_\_ (iii)

Add the amount on line (iii) to the amount on line 406 of Schedule 1 of your income tax return.

**Calculating an allowable claim**

Enter the "Total credit available" from column 5 on the back of the form ..... **C**

Federal tax (from line 406 of Schedule 1 of your income tax return) ..... \_\_\_\_\_

**Minus:** Federal political contribution tax credit (from line 410 of Schedule 1 of your income tax return) ..... \_\_\_\_\_

Subtotal ..... = \_\_\_\_\_

**Minus:** Labour-sponsored funds tax credit (from line 414 of Schedule 1 of your income tax return) ..... \_\_\_\_\_

Subtotal ..... = \_\_\_\_\_ **D**

You can claim an ITC amount up to, but not more than, line C or D, whichever is less.

Enter your claim on this line ..... **E**

If you do not have to complete Form T691, *Alternative Minimum Tax*, (see your guide for information) or if the amount you calculate at line 95 of Form T691 is zero, enter the amount from line E on line 412 of Schedule 1 of your income tax return, or on line 34 of T3 Schedule 11. Also enter the amount from line E in column 6 on the back of this form.

Otherwise, complete the following section to determine your ITC claim.

**Calculating an allowable claim if alternative minimum tax (AMT) applies**

**NOTE: Complete this section only if you calculate an amount greater than zero at line 95 of Form T691.**

Enter the amount from line D ..... \_\_\_\_\_

**Minus:** "Minimum amount" from line 59 of Form T691 ..... \_\_\_\_\_

Subtotal – if negative, enter "0" ..... = \_\_\_\_\_ **F**

You can claim an ITC amount up to, but not more than, line C or F, whichever is less.

Enter your claim on this line ..... **G**

Enter the amount from line G on line 412 of Schedule 1 of your income tax return, or on line 34 of T3 Schedule 11. Also enter the amount from line G in column 7 on the back of this form.

**Part B – Calculating a carryback and refund of ITC**

**ITC available for carryback**

Complete this section to determine the balance of credit available for carryback to previous tax years.

Total current-year credit available (column 5 <b>minus</b> column 1 below) .....		
<b>Minus:</b> Current-year credit applicable*		
The maximum amounts <b>you could have claimed</b> in column 6, <b>plus</b> column 7, <b>minus</b> column 1 below (if negative, enter "0") .....	-	
<b>Total credit available for carryback</b> .....	=	<b>G</b>

\* To arrive at the amount available to carry back, you first have to apply your credit to the fullest extent in the current year, whether you claimed all of it or not. This means that, before determining the amount available to carry back, you first have to reduce your federal tax for the current year by the maximum amounts you could have claimed at columns 6 and 7, whether you claimed the maximum or not.

**ITC carryback request**

Complete this section to request a carryback of the ITC you earned in the current tax year. The carry-back provisions allow you to apply a current-year credit against the total of your federal tax for any of the three previous tax years. The credit you apply to a previous year cannot be more than the total of your federal tax for that year.

You have to deduct any amount of the refundable ITC designated as a carryback when you calculate your ITC refund and the balance to carry forward to tax years that follow.

To request a carryback, complete this section and attach one copy of this form to your current-year income tax return.

**Note:** We **do not refund** an amount you designate as a carryback in the current year. Do not enter the amount on your income tax return.

	Year			
Third previous tax year .....		6720		•
The amount on line G to apply to:	Second previous tax year .....	6721		•
	First previous tax year .....	6722		•
	<b>Total credit designated for carryback</b> (not more than amount G above) .....			<b>H</b>

**Enter the total of lines H and J in column 8 below.**

		Date		Year		Month		Day
Signature		6724						

**ITC available for refund**

Complete this section to determine the balance of credit available for refund.

Total current-year refundable credit available (column 2 <b>minus</b> column 4 below) .....		
<b>Minus:</b>		
Current-year credit claim (column 6, <b>plus</b> column 7, <b>minus</b> column 1 below)		
Total amount of ITC being carried back (amount H above) .....	+	
Subtotal .....	=	
<b>Minus:</b> Current-year non-refundable credit (column 3) .....	-	
Total (If negative enter "0") .....	=	▶ -
	<b>Total credit available for refund</b>	<b>I</b>

**Calculating an ITC refund**

Complete this section to calculate a refund of ITC that you earned in the current year. You have to deduct any amounts you claim as a refund when you calculate the balance to carry forward to tax years that follow.

ITC available for refund (amount I above) .....		
Designated refund of ITC (cannot be more than amount I above) .....		
Refundable rate .....	x	0.40
Refund of ITC .....		<b>J</b>

Enter the amount from line J on line 454 of your income tax return or on line 88 of a *T3 Trust Income Tax and Information Return*.

**Enter the total of lines H and J in column 8 below.**

1	Balance of credits carried forward	2	Current-year refundable credit (A on the front of the form)	3	Current-year non-refundable credit* (B on the front of the form)	4	Adjustments**	5	Total credit available (col.1 plus col. 2 plus col.3 minus col. 4)	6	Current-year credit claim	7	Current-year credit claim (AMT)	8	Credit claim – Other (line H plus line J above)	9	Balance carried forward (col. 5 minus col. 6, col. 7 and col. 8)
\$		\$		\$		\$		\$		\$		\$		\$		\$	

\* This credit will reduce your Canadian exploration expense pool in the year following the year in which you claim the credit.

\*\* For testamentary trusts, enter the amount of ITC allocated to beneficiaries from box 40 of T3 slips.