



**RESOURCE-RELATED DEDUCTIONS  
(1998 and later taxation years)**

**SCHEDULE 12**

Name of corporation	Business Number	Taxation year end Year    Month    Day
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- This schedule is for use by corporations claiming resource-related deductions.
- Complete the appropriate parts of this schedule and report the amount you calculate on one of the following lines of Schedule 1:
  - line 340: Canadian development expenses;
  - line 341: Canadian exploration expenses;
  - line 342: Canadian oil and gas property expenses;
  - line 344: depletion; or
  - line 345: foreign exploration and development expenses.
- The earned depletion base is defined in Regulation 1205(1), and the mining exploration depletion base is defined in Regulation 1203(2). You will find specific rules for claiming an earned depletion allowance in Regulations 1201 and 1202(2) and a mining exploration depletion allowance in Regulation 1203(1).
- Sections, subsections and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- For more information, see the *T2 Corporation Income Tax Guide*.

**Part 1 – Continuity of earned depletion base**

	Regular expenses	Successor expenses
Balance at end of preceding taxation year	<b>101</b>	<b>126</b>
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary *		<b>130</b>
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary *		<b>132</b>
<b>Deduct:</b> transferred on sale of resource property to successor	<b>110</b>	<b>135</b>
Amount available **		
<b>Deduct:</b> claim for the year per Regulation 1202(2)		<b>140</b>
<b>Deduct:</b> claim for the year per Regulation 1201	<b>115</b>	
Closing balance	<b>120</b>	<b>145</b>

\* Earned depletion base transferred on amalgamation or wind-up to which subsections 87(1.2) and 88(1.5) apply should be entered in the "Regular expenses" column if the expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up.

\*\* If the amount is negative, enter "0" at lines 115 and 120 and/or lines 140 and 145.

**Part 2 – Continuity of mining exploration depletion base**

Balance at end of preceding taxation year	<b>150</b>	
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary	<b>155</b>	
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary	<b>160</b>	
<b>Deduct:</b> transferred on disposal of resource property to successor	<b>165</b>	
Amount available *		
<b>Deduct:</b> claim for the year per Regulation 1203(1)	<b>170</b>	
Closing balance	<b>175</b>	

\* If the amount is negative, enter "0" at lines 170 and 175.

Enter the total of lines 115, 140, and 170 at line 344 of Schedule 1.

**Part 3 – Cumulative Canadian exploration expenses**

	Regular expenses	Successor expenses
Balance at end of preceding taxation year	200	250
<b>Add:</b> current year expenses	205	
<b>Add:</b> reclassified Canadian development expenses [subsections 66.1(9) and 66.7(9)]	210	255
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary *	215	260
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary *		265
<b>Add:</b> Canadian renewable and conservation expenses	217	
<b>Add:</b> other additions	220	
<b>Deduct:</b> government assistance and grants	225	
<b>Deduct:</b> other deductions or transfers	230	280
<b>Deduct:</b> transferred on disposition of resource property to successor	240	290
Amount available **		
<b>Deduct:</b> current year claim per subsections 66.1(2) and 66.7(3) ***	245	295
Closing balance	249	299

\* Canadian exploration expenses transferred on amalgamation or wind-up to which subsections 87(1.2) and 88(1.5) apply should be entered in the "Regular expenses" column if the expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up.

\*\* If the amount in the "Regular expenses" column is negative, include it in income in the "other additions" area on page 2 of Schedule 1 and enter "0" at lines 245 and 249 above. If the amount in the "Successor expenses" column is negative, include it in income in the "other additions" area on page 2 of Schedule 1 and enter "0" at lines 295 and 299 above.

\*\*\* The maximum deduction is the amount available in the "Regular expenses" column plus the lesser of the amount available in the "Successor expenses" column and the amount determined pursuant to paragraph 66.7(3)(b), which, in most cases, will be the income attributable to the disposition of successored properties and the production income from successored properties.

**Part 4 – Cumulative Canadian development expenses**

	Regular expenses	Successor expenses
Balance at end of preceding taxation year	<b>300</b>	<b>350</b>
<b>Add:</b> current year expenses	<b>303</b>	
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary *	<b>305</b>	<b>355</b>
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary *		<b>357</b>
<b>Add:</b> other additions	<b>310</b>	
<b>Deduct:</b> reclassified Canadian exploration expenses [subsections 66.1(9) and 66.7(9)]	<b>315</b>	<b>365</b>
<b>Deduct:</b> government assistance and grants	<b>320</b>	
<b>Deduct:</b> receivable on disposition of underground oil and gas storage rights or mining property	<b>325</b>	
<b>Deduct:</b> credit balance in the cumulative Canadian oil and gas property expense pool	<b>330</b>	<b>380</b>
<b>Deduct:</b> other deductions or transfers	<b>335</b>	<b>385</b>
<b>Deduct:</b> transferred on disposition of resource property to successor	<b>340</b>	<b>390</b>
Amount available **		
<b>Deduct:</b> current year claim per subsection 66.2(2) ***	<b>345</b>	<b>395</b>
Closing balance	<b>349</b>	<b>399</b>

\* Canadian development expenses transferred on amalgamation or wind-up to which subsections 87(1.2) and 88(1.5) apply should be entered in the "Regular expenses" column if the expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up.

\*\* (i) When the amount available in the "Successor expenses" column is negative and there is no designation pursuant to subparagraph 66.7(4)(a)(iii), enter the amount at line 335. However, if a designation pursuant to subparagraph 66.7(4)(a)(iii) has been made, enter the negative amount available from the "Successor expenses" column at line 440 in Part 5, "Cumulative Canadian oil and gas property expenses." If this results in a negative amount in the "Regular expenses" column of Part 5, enter the amount at line 330 above. In both instances, enter "0" at lines 395 and 399 above.

(ii) If the amount in the "Regular expenses" column is negative, include it in income in the "other additions" area on page 2 of Schedule 1 and enter "0" at lines 345 and 349 above.

\*\*\* The maximum deduction is 30% of the amount available in the "Regular expenses" column plus the lesser of 30% of the amount available in the "Successor expenses" column and the amount determined pursuant to paragraph 66.7(4)(b). In most cases, this will be the income attributable to the production income from successored properties. For a fiscal period of less than 51 weeks, the amount that can be claimed as a deduction is prorated based on the proportion that the number of days in the taxation year is of 365.

Enter the total of lines 345 and 395 at line 340 of Schedule 1.

**Part 5 – Cumulative Canadian oil and gas property expenses**

	Regular expenses	Successor expenses
Balance at end of preceding taxation year	400	450
<b>Add:</b> current year expenses	405	
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary *	410	455
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary *		460
<b>Add:</b> other additions	415	
<b>Deduct:</b> received or receivable on disposition of Canadian oil and gas property	420	470
<b>Deduct:</b> government assistance and grants	425	
<b>Deduct:</b> transferred on disposition of resource property to successor	435	485
<b>Deduct:</b> other deductions or transfers	440	490
Amount available **		
<b>Deduct:</b> current year claim per subsections 66.4(2) and 66.7(5) ***	445	495
Closing balance	449	499

\* Canadian oil and gas property expenses transferred on amalgamation or wind-up to which subsections 87(1.2) and 88(1.5) apply should be entered in the "Regular expenses" column if the expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up.

\*\* (i) When the amount available in the "Successor expenses" column is negative and there is no designation pursuant to subparagraph 66.7(4)(a)(iii), enter the amount at line 440 and enter "0" at lines 495 and 499. If this results in the amount available in the "Regular expenses" column becoming negative, enter the negative amount at line 380 in Part 4, "Cumulative Canadian development expenses," and enter "0" at lines 445 and 449 above. If the amount available in the "Successor expenses" column of Part 4 becomes negative, enter the amount at line 335 in Part 4.

When a designation pursuant to subparagraph 66.7(4)(a)(iii) has been made, enter the negative amount available from the "Successor expenses" column at line 380 in Part 4, "Cumulative Canadian development expenses," and enter "0" at lines 495 and 499. If the amount available in the "Successor expenses" column in Part 4 becomes negative, enter the negative amount at line 440 above. If this results in a negative amount in the "Regular expenses" column in Part 5 above, enter the amount at line 330 in Part 4.

(ii) When the amount available in the "Regular expenses" column is negative due to other than (i) above, enter the amount at line 330 in Part 4 and enter "0" at lines 445 and 449.

\*\*\* The maximum deduction is 10% of the amount available in the "Regular expenses" column plus the lesser of 10% of the amount available in the "Successor expenses" column and the amount determined pursuant to paragraph 66.7(5)(b). In most cases, this will be the income attributable to the production income from successored properties. For a fiscal period of less than 51 weeks, the amount that can be claimed as a deduction is prorated based on the proportion that the number of days in the taxation year is of 365.

Enter the total of lines 445 and 495 at line 342 of Schedule 1.

**Part 6 – Foreign exploration and development expenses**

	Regular expenses	Successor expenses
Balance at end of preceding taxation year	<b>500</b>	<b>550</b>
<b>Add:</b> current year expenses	<b>505</b>	
<b>Add:</b> transferred on amalgamation or wind-up of subsidiary *	<b>510</b>	<b>555</b>
<b>Add:</b> transferred other than on amalgamation or wind-up of subsidiary *		<b>560</b>
<b>Deduct:</b> other deductions or transfers	<b>515</b>	<b>565</b>
Amount available **		
<b>Deduct:</b> current year claim per subsections 66(4) and 66.7(2)***	<b>520</b>	<b>570</b>
Closing balance	<b>525</b>	<b>575</b>

\* Foreign exploration and development expenses transferred on amalgamation or wind-up to which subsections 87(1.2) and 88(1.5) apply should be entered in the "Regular expenses" column if the expenses were regular expenses in the hands of the amalgamating company or the subsidiary being wound up.

\*\* If the amount is negative, include it in income in the "other additions" area on page 2 of Schedule 1, and enter "0" at lines 520 and 525 and/or 570 and 575.

\*\*\* The maximum deduction for regular expenses is the lesser of: (a) the amount available in the "regular expenses" column; and (b) the greater of foreign-source resource income and 10% of the amount available in the "Regular expenses" column. For successor expenses, the maximum allowable is the lesser of the amount available and foreign-source resource income attributable to successored properties. Foreign-source resource income includes income from oil and gas wells or mines outside Canada and proceeds less applicable expenses and reserves on disposition of foreign resource property. For a fiscal period of less than 51 weeks, 10% is prorated based on the proportion that the number of days in the taxation year is of 365.

	Regular expenses	Successor expenses
Foreign-source resource income	<b>530</b>	<b>580</b>

Enter the total of lines 520 and 570 at line 345 of Schedule 1.