

Scientific Research and Experimental Development (SR&ED) Expenditures Claim

Use this form:

- to provide technical information on your SR&ED projects;
- to calculate your SR&ED expenditures; and
- to calculate your qualified SR&ED expenditures for investment tax credits (ITC).

To claim an ITC, use either:

- Schedule T2SCH31, *Investment Tax Credit – Corporations*, or
- Form T2038(IND), *Investment Tax Credit (Individuals)*.

The information requested in this form and documents supporting your expenditures and project information (Part 2) are prescribed information.

Your SR&ED claim must be filed within 12 months of the filing due date of your income tax return.

To help you fill out this form, use the T4088, *Guide to Form T661*, which is available on our Web site: www.cra.gc.ca/sred.

Part 1 – General information

<p>010 Name of claimant</p> <p style="text-align: center;">RDBASE SR&ED CASE STUDY</p> <hr/> <p>Tax year</p> <p>From: <input type="text" value="2015-01-01"/> <small>Year Month Day</small></p> <p>To: <input type="text" value="2015-12-31"/> <small>Year Month Day</small></p>	<p>Enter one of the following:</p> <div style="border: 1px solid black; width: 80%; margin: 10px auto; text-align: center;"> <p>Business number (BN)</p> </div> <div style="border: 1px solid black; width: 80%; margin: 10px auto; text-align: center;"> <p>Social insurance number (SIN)</p> </div>												
<p>050 Total number of projects you are claiming this tax year:</p> <p style="text-align: center;">4</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;">100 Contact person for the financial information</td> <td style="width: 25%;">105 Telephone number/extension</td> <td style="width: 25%;">110 Fax number</td> </tr> <tr> <td style="text-align: center;">CEO</td> <td style="text-align: center;">(905) 631-5600</td> <td style="text-align: center;">(905) 631-5600</td> </tr> <tr> <td style="vertical-align: top;">115 Contact person for the technical information</td> <td style="vertical-align: top;">120 Telephone number/extension</td> <td style="vertical-align: top;">125 Fax number</td> </tr> <tr> <td style="text-align: center;">Al Nobel</td> <td style="text-align: center;">(905) 631-5600</td> <td style="text-align: center;">(905) 631-5600</td> </tr> </table>	100 Contact person for the financial information	105 Telephone number/extension	110 Fax number	CEO	(905) 631-5600	(905) 631-5600	115 Contact person for the technical information	120 Telephone number/extension	125 Fax number	Al Nobel	(905) 631-5600	(905) 631-5600
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Al Nobel	(905) 631-5600	(905) 631-5600											

151 If this claim is filed for a partnership, was Form T5013 filed? 1 Yes 2 No

If you answered **no** to line 151, complete lines 153, 156 and 157.

153 Names of the partners	156 %	157 BN or SIN
1		
2		
3		
4		
5		

Part 2 - Project information

CRA internal form identifier 060
Code 1501

Complete a separate Part 2 for each project claimed this year.

Section A - Project identification
200 Project title (and identification code if applicable)
See schedule

Part 3 – Calculation of SR&ED expenditures

What did you spend on your SR&ED projects?

Section A – Select the method to calculate the SR&ED expenditures

I elect (choose) to use the following method to calculate my SR&ED expenditures and related investment tax credits (ITC) for this tax year. I understand that my election is irrevocable (cannot be changed) for this tax year.

160 1 I elect to use the proxy method
(Enter "0" on line 360 and complete Part 5.)

162 1 I choose to use the traditional method
(Enter "0" on lines 355 and 502. Complete line 360.)

Section B – Calculation of allowable SR&ED expenditures (to the nearest dollar)

• SR&ED portion of salary or wages of employees directly engaged in the SR&ED:			
a) Employees other than specified employees for work performed in Canada	300	+	90,879
b) Specified employees for work performed in Canada	305	+	330,508
Subtotal (add lines 300 and 305)	306	=	421,387
c) Employees other than specified employees for work performed outside Canada (subject to limitations – see guide)	307	+	
d) Specified employees for work performed outside Canada (subject to limitations – see guide)	309	+	
• Salary or wages identified on line 315 in prior years that were paid in this tax year	310	+	
• Salary or wages incurred in the year but not paid within 180 days of the tax year end	315		
• Cost of materials consumed in performing SR&ED	320	+	22,000
• Cost of materials transformed in performing SR&ED	325	+	14,000
• Contract expenditures for SR&ED performed on your behalf:			
a) Arm's length contracts (see note 1)	340	+	50,000
b) Non-arm's length contracts (see note 1)	345	+	
• Lease costs of equipment used before 2014 :			
a) All or substantially all (90% of the time or more) for SR&ED	350	+	
b) Primarily (more than 50% of the time but less than 90%) for SR&ED. (Enter 50% of lease costs if you use the proxy method or enter "0" if you use the traditional method)	355	+	
• Overhead and other expenditures (enter "0" if you use the proxy method)	360	+	
• Third-party payments (see note 2) (complete Form T1263*)	370	+	
Total current SR&ED expenditures (add lines 306 to 370; do not add line 315) (Corporations may need to adjust line 118 of schedule T2SCH1)	380	=	507,387
• Capital expenditures for depreciable property available for use before 2014 (Do not include these capital expenditures on schedule T2SCH8)	390	+	
Total allowable SR&ED expenditures (add lines 380 and 390)	400	=	507,387

Section C – Calculation of pool of deductible SR&ED expenditures (to the nearest dollar)

Amount from line 400	420		507,387
Deduct			
• provincial government assistance for expenditures included on line 400	429	-	69,883
• other government assistance for expenditures included on line 400	431	-	
• non-government assistance for expenditures included on line 400	432	-	
• SR&ED ITCs applied and/or refunded in the prior year (see guide)	435	-	
• sale of SR&ED capital assets and other deductions	440	-	
Subtotal (line 420 minus lines 429 to 440)	442	=	437,504
Add			
• repayments of government and non-government assistance that previously reduced the SR&ED expenditure pool	445	+	
• prior year's pool balance of deductible SR&ED expenditures (from line 470 of prior year T661)	450	+	
• SR&ED expenditure pool transfer from amalgamation or wind-up	452	+	
• amount of SR&ED ITC recaptured in the prior year	453	+	
Amount available for deduction (add lines 442 to 453) (enter positive amount only, include negative amount in income)	455	=	437,504
• Deduction claimed in the year (Corporations should enter this amount on line 411 of schedule T2SCH1)	460	-	437,504
Pool balance of deductible SR&ED expenditures to be carried forward to future years (line 455 minus 460)	470	=	

* Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

Note 1 – For contract expenditures made after 2013, no amounts for purchasing or leasing capital property can be included.

Note 2 – For third-party payments made after 2013, no amounts for purchasing or leasing capital property can be included.

Part 4 – Calculation of qualified SR&ED expenditures for investment tax credit (ITC) purposes

The resulting amount is used to calculate your refundable and/or non refundable ITC.

Enter the breakdown between current and capital expenditures (to the nearest dollar)			
		Current Expenditures	Capital Expenditures
Total expenditures for SR&ED (from lines 380 and 390)	492	507,387	496
Add			
• payment of prior years' unpaid amounts (other than salary or wages) (see note 5)	500 +		
• prescribed proxy amount (complete Part 5) (Enter "0" if you use the traditional method)	502 +	158,641	
• expenditures on shared-use equipment for property acquired before 2014			504 +
• qualified expenditures transferred to you (see note 3) (complete Form T1146**)	508 +		510 +
Subtotal (add lines 492 to 508, and add lines 496 to 510)	511 =	666,028	512 =
Deduct (see note 4)			
• provincial government assistance	513 -	92,172	514 -
• other government assistance	515 -		516 -
• non-government assistance and contract payments	517 -		518 -
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end (see note 5)	520 -		
• amounts paid in respect of an SR&ED contract to a person or partnership that is not a taxable supplier	528 -		
• 20% of expenditures included on lines 340 and 370	529 -	10,000	
• prescribed expenditures not allowed by regulations (see guide)	530 -		532 -
• other deductions (see guide)	533 -		535 -
• non-arm's length transactions			
– assistance allocated to you (complete Form T1145*)	538 -		540 -
– expenditures for non-arm's length SR&ED contracts (from line 345)	541 -		
– adjustments to purchases (limited to costs) of goods and services from non-arm's length suppliers (see guide)	542 -		543 -
– qualified expenditures you transferred (complete Form T1146**)	544 -		546 -
Subtotal (line 511 minus lines 513 to 544 and line 512 minus lines 514 to 546)	557 =	563,856	558 =
Qualified SR&ED expenditures (add lines 557 and 558)			559 = 563,856
Add			
• repayments of assistance and contract payments made in the year			560 +
Total qualified SR&ED expenditures for ITC purposes (add lines 559 and 560)			570 = 563,856

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

Note 3 – On line 510 (capital) – Only include expenditures made before 2014 by the transferor (performer). Complete the latest version of Form T1146.

Note 4 – On lines 514, 516, 518, 532, 535, 540, 543 and 546 – Only include amounts related to expenditures of a capital nature made before 2014.

Note 5 – For arm's length contracts, only include 80% of the contract amount.

Part 5 – Calculation of prescribed proxy amount (PPA)

A notional amount representing your overhead and other expenditures.

This part calculates the PPA to enter on line 502 in Part 4. Do not complete this part if you have chosen to use the traditional method in Part 3 (line 162). You can only claim a PPA if you elected to use the proxy method for the year in Part 3 (line 160).

Special rules apply for specified employees. Calculate your salary base in Section A and the PPA in Section B.

Section A – Salary base						
Salary or wages of employees other than specified employees (from lines 300 and 307)					810 +	90,879
Deduct						
Bonuses, remuneration based on profits, and taxable benefits that were included on line 810					812 -	
Subtotal (line 810 minus 812)					814 =	90,879
Salary or wages of specified employees						
850 Column 1	852 Column 2	854 Column 3	856 Column 4	858 Column 5	860 Column 6	
Name of specified employee	Total salary or wages for the year (SR&ED and non-SR&ED) excluding bonuses, remuneration based on profits, and taxable benefits (to the nearest dollar)	% of time spent on SR&ED (maximum 75%)	Amount in column 2 multiplied by percentage in column 3	2,5 x A x B/365 A = Year's maximum pensionable earnings B = Number of days employed in tax year	Amount in column 4 or 5, whichever amount is less	
1. RajaTuli	360,000	74.153	266,951	134,000	134,000	
2. John Nicholas Rutter	100,000	63.559	63,559	134,000	63,559	
(Enter total of column 6 on line 816)					197,559	816 +
Salary base (total of lines 814 and 816)					818 =	288,438

Section B – Prescribed proxy amount (PPA)	
Enter 65% of the salary base (line 818) less 5% of the salary base for the number of 2013 calendar days in the tax year, and less 10% of the salary base for number of days after 2013 in the tax year (use the formula in the guide-line 820)	820 = 158,641
Enter the amount from line 820 on line 502 in Part 4 unless the overall cap on PPA applies to you.	.....
(See the guide for explanation and example of the overall cap on PPA)	

Part 6 – Project costs

Information requested in this part must be provided for all SR&ED projects claimed in the year. Expenditures should be recorded and allocated on a project basis.

750 Project title or identification code	752 Salary or wages in the tax year	754 Cost of materials in the tax year	756 Contract expenditures for SR&ED performed on your behalf in the tax year
	(Total of lines 306 to 309)	(Total of lines 320 and 325)	(Total of lines 340 and 345)
1. 1401 - Miniature Printer - TAX CASE (6379249 Canada Inc.)	266,949	14,000	
2. 1500 - Engineering - Tax Case (Northwest Hydraulics)	58,252	22,000	50,000
3. 1501 - Software R&D - International Guidelines (OECD)	32,627		
4. 1502 - Software - TAX CASE (ACISIS)	63,559		
Total	421,387	36,000	50,000

Part 7 – Additional information

Expenditures for SR&ED performed by you in Canada (line 400 minus lines 307, 309, 340, 345, and 370)	605	457,387
From the total you entered on line 605, estimate the percentage of distribution of the sources of funds for SR&ED performed within your organization.		
	Canadian (%)	Foreign (%)
Internal	600 100.000	
Parent companies, subsidiaries, and affiliated companies	602	604
Federal grants (do not include funds or tax credits from SR&ED tax incentives)	606	
Federal contracts	608	
Provincial funding	610	
SR&ED contract work performed for other companies on their behalf	612	614
Other funding (e.g., universities, foreign governments)	616	618
For statistical purposes indicate whether the work you performed falls within the realm of Basic or Applied research (to advance scientific knowledge) or Experimental development (to achieve a technological advancement):		
620 1 <input type="checkbox"/> Basic or Applied research	622 1 <input checked="" type="checkbox"/> Experimental development	
Enter the number of SR&ED personnel in full-time equivalents (FTE):		
Scientists and engineers	632	2
Technologists and technicians	634	
Managers and administrators	636	
Other technical supporting staff	638	

Part 8 – Claim checklist

To ensure your claim is complete, make sure you have:

- used the current version of this form
- entered the method you have chosen for reporting your SR&ED expenditures in Section A of Part 3
- completed Part 2 for each project
- filed a completed Schedule T2SCH31 or Form T2038(IND) to claim ITCs on your qualified SR&ED expenditures
- filed a completed Form T1145*, T1146**, T1174*** and/or T1263**** including any required attachments, if applicable

To expedite the processing of your claim, make sure you have:

- completed Form T2, *Corporation Income Tax Return* or Form T1, *Income Tax and Benefit Return*
- filed the appropriate provincial and/or territorial tax credit forms, if applicable
- retained documents to support the SR&ED work performed and SR&ED expenditures you claimed
- checked boxes 231 and 232 on page 2 of your T2 return to indicate attachment of Form T661 and Schedule T2SCH31

* Form T1145, *Agreement to Allocate Assistance for SR&ED Between Persons Not Dealing at Arm's Length*

** Form T1146, *Agreement to Transfer Qualified Expenditures Incurred in Respect of SR&ED Contracts Between Persons Not Dealing at Arm's Length*

*** Form T1174, *Agreement Between Associated Corporations to Allocate Salary or Wages of Specified Employees for Scientific Research and Experimental Development (SR&ED)*

**** Form T1263, *Third-Party Payments for Scientific Research and Experimental Development (SR&ED)*

Part 9 – Claim preparer information

Information requested in this part must be provided for each claim preparer that has accepted consideration to prepare or assist in the preparation of this SR&ED claim. Certification is required on lines 935, 970, and 975.

A \$1000 penalty may be assessed if the information requested below about the claim preparer(s) and billing arrangement(s), is missing, incomplete, or inaccurate. Where a claim preparer has prepared or assisted in the preparation of this SR&ED form, the claimant and the claim preparer will be jointly and severally, or solidarily, liable for the penalty.

935 Was a claim preparer engaged in any aspect of the preparation of this SR&ED claim?

- 1 Yes (complete the claim preparer information table and lines 970 and 975 below)
- 2 No (complete lines 970 and 975)

Claim preparer information table

	940	945	950	955	960	965
Name of claim preparer (company or individual)	Business number	Billing arrangement code (see codes*)	Billing rate (percentage, hourly/daily rate or flat fee)	Other billing arrangement(s) (Maximum 10 words)	Total fee paid, payable, or expected to pay	
1. MEUK Corporation	87051 2183 RT0001	4	10,000.00		10,000	
2. Office of David Sabina, CPA	13723 0223 RT0001	4	5,000.00		5,000	
Total					15,000	

*** Billing arrangement codes**

Code	Type of billing arrangement
1	Contingency fee arrangement – where the fee is based on a percentage of the investment tax credit earned
2	Hourly rate
3	Daily rate
4	Flat fee arrangement (lump sum)
5	Other arrangements – describe the arrangement in box 960 in 10 words or less

970 I, CEO, certify that the information provided in this part is complete

Name of authorized signing officer of the corporation, or individual (print)
and accurate.

Signature

975 2016-10-12
Year Month Day

Part 10 – Certification

I certify that I have examined the information provided on this form and on the attachments and it is true, correct, and complete.

165 CEO _____ **170** 2016-10-12
Name of authorized signing officer of the corporation, or individual Signature Date

175 Office of David Sabina, CPA _____
Name of person/firm who completed this form

Privacy Notice

Personal information is collected pursuant to subsections 37(1), 37(11), and 162(5.1) of the *Income Tax Act* (the Act) and is used for verification of compliance, administration and enforcement of the Scientific Research and Experimental Development (SR&ED) program requirements.

Information may also be used for the administration and enforcement of other provisions of the Act, including assessment, audit, enforcement, collections, and appeals, and may be disclosed under information-sharing agreements in accordance with the Act. Incomplete or inaccurate information may result in assessment of monetary penalties and delays in processing SR&ED claims.

The social insurance number is collected pursuant to section 237 of the Act and is used for identification purposes.

Information is described in personal information bank CRA PPU 441 “Scientific Research and Experimental Development” in the Canada Revenue Agency (CRA) chapter of *Info Source*. Personal information is protected under the *Privacy Act*, and individuals have a right of access to, correction, and protection of their personal information. Further details regarding requests for personal information at the CRA and our *Info Source* chapter can be found at www.cra.gc.ca/atip.

Part 2 – Project information (continued)

Project number 1

CRA internal form identifier 060

Code 1501

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification			
200 Project title (and identification code if applicable)			
1401 - Miniature Printer - TAX CASE (6379249 Canada Inc.)			
202 Project start date	204 Completion or expected completion date	206 Field of science or technology code (See guide for list of codes)	
2014-01 <small>Year Month</small>	2015-09 <small>Year Month</small>	2.02.08	Computer hardware and architecture
Project claim history			
208 1 <input checked="" type="checkbox"/> Continuation of a previously claimed project		210 1 <input type="checkbox"/> First claim for the project	
218 Was any of the work done jointly or in collaboration with other businesses? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
If you answered yes to line 218, complete lines 220 and 221.			
220 Names of the businesses			221 BN
1			

Section B – Project descriptions
242 What scientific or technological uncertainties did you attempt to overcome? (Maximum 50 lines)
1. Objectives: Battery life: Current performance is 5 pages, goal is 20 pages
2. Jam rate: Current performance is 150 jams/1,000 sheets, goal is 1 jams/1,000
3. sheets
4. Ambient humidity limit: Current performance is 85 %, goal is 95 %
5. Media thickness upper: Current performance is 0.08 mm, goal is 0.1 mm
6. Media thickness lower range: Current performance is 0.06 mm, goal is 0.05 mm
7. Speed (pages per minute): Current performance is 5 ppm, goal is 5 ppm
8. felt medium life: Current performance is 0.5 1000's / pages, goal is 20
9. 1000's / pages
10. Overall reject rate: Current performance is 20 %, goal is 0.1 %
11. Cost : Current performance is 100 \$, goal is 80 \$.
12. OBJECTIVES: The printer had to
13. - be small and light, the dimensions were to be 1.5 x 1.5 x 10 (22.5 cubic
14. in.); 38mm x 38mm x 254mm (368 cm3)
15. - deliver a full-sized 8.5 x 11 sheet of copy or graphic;
16. - connect to a data source such as cellular phone, PDA or a laptop via the
17. Bluetooth;
18. - use wireless technology permitting it to print without the need for a cable
19. connection;
20. - be self-contained, meaning that the paper had to be inside the printer on a
21. reel in a very tightly curled compact roll;
22. - the paper cartridge had to consist of 20 sheets of paper;
23. - the printer had to be battery operated and the battery had to function for
24. a full cartridge of paper between recharges.
25. BACKGROUND TO THIS CASE STUDY:
26. This project is based on details of the Tax Court of Canada judgment in
27. 6379249 CANADA INC. v HER MAJESTY THE QUEEN, 2015 TCC 77, March 31, 2015.
28. The company filed successful SR&ED tax claims for its 2007 and 2008 taxation
29. years to develop a new printer. At the end of 2008, 200 printers were
30. released onto the market for sale.
31. After its commercial release, the company investigated the customers
32. complaints by testing approximately 50 printers and determined that the
33. complaints were well-founded: paper was coming out of the printer curled and
34. the battery stopped after five to ten pages had been printed. Although this
35. did not occur on a regular basis, the occurrence was high enough that the
36. company decided to stop manufacturing the printers and removed them from the
37. market.

242 What scientific or technological uncertainties did you attempt to overcome?
(Maximum 50 lines)

38. In 2009, they undertook a new SR&ED project with respect to the printer and
39. claimed a SR&ED ITC in the amount of \$103,628 for its 2009 taxation year and
40. \$49,688 for its 2010 taxation year.
41. Mr. Tuli stated that when he first investigated what had gone wrong with the
42. printer, it was clear that two technological uncertainties still existed. The
43. first one was that the paper did not come out flat from the printer and the
44. second was that the battery died out too rapidly. After printing many pages,
45. they observed that the felt on the slip clutch was degrading more rapidly
46. than had been anticipated. They also observed that the motor stalled
47. prematurely and the issue with the dynamic and static friction had not been
48. resolved.
49. The government tax credit authority (Canada Revenue Agency) took the position
50. that at the time of commercial production, there were no longer technological

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242?
(Summarize the systematic investigation or search) (Maximum 100 lines)

1. Activity: New print driver
2. Methods of experimentation: Analysis / simulation: 400 runs / samples,
3. Trials: 70 alternatives
4. Although there was an improvement in paper straightness, the problem was not
5. yet resolved. The next phase of the development was to focus on the other
6. major problem reported by the users, which was that the battery was draining
7. too quickly.
8. Further advancement was then sought by contemplating the mitigation of power
9. consumption problems caused by the difference between the static and dynamic
10. regimes of the electric motor by electronic means that would control the
11. supply of power to the motor. Until then, they had been using a simple motor
12. control algorithm referred to as the old printer driver. The old printer
13. driver did not make the difference between the static and dynamic regimes.
14. Mr. Tuli introduced in the design of the new printer driver a means for
15. regulating the amount of electric power from the battery to the motor. The
16. hypothesis was that by introducing a means to ensure that the power supply
17. profile would continually match the expected power demand, overall power
18. consumption would decrease and the printer's battery charge would last for a
19. full cartridge of 20 pages.
20. Mr. Tuli hypothesized that once calibrated the new printer driver would
21. manage the boosting of the electric motor so that additional energy would be
22. applied only when strictly necessary for preventing the motor to stall. Once
23. calibrated, tests were performed to verify the effectiveness of this anti-
24. stalling tool. The test results confirmed the validity of the initial
25. hypothesis, the calibrated power management algorithm (new printer driver)
26. effectively prevented the motor from stalling
27. Activity: Moisture analysis
28. Methods of experimentation: Trials: 1200 alternatives
29. Mr. Tuli stated that further testing was performed to determine whether the
30. new technological advancements had improved the efficacy of the printer. Mr.
31. Tuli stated that even though the back tension force of the anti-curling
32. mechanism was consistently up to specification, the tests provided occasional
33. evidence of paper curling in some units after some time. It was hypothesized
34. that the printing paper would eventually become curled because the paper's
35. physical properties were changing over time. Mr. Tuli decided to investigate
36. the problem of variation of the moisture content of the printing paper stock
37. over time.
38. It was hypothesized that there could be external factors that had an effect
39. on the paper curling after extended periods of time on the paper reel. It was
40. further hypothesized that humidity could significantly contribute to the
41. changes in the characteristics of the paper over time. A jig (moisture
42. chamber) was developed to test the paper moisture content. Mr. Tuli wanted to

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242? (Summarize the systematic investigation or search) (Maximum 100 lines)

43. see if the moisture content could cause the paper to degrade and prevent the
44. anti-curl mechanism from working. Since the paper was curled in a tight roll,
45. it was hard to simulate the real environment with a jig.
46. Mr. Tuli stated that they were not able to apply the moisture to the paper
47. evenly. Mr. Tuli stated that they tried many techniques but they were not
48. able to apply the moisture evenly on each page of the roll of paper. Research
49. was done in order to find literature that could assist the appellant but
50. nothing was found. At that point, they thought another solution would be to
51. render the anti-curl mechanism in the printer even stronger.

246 What scientific or technological advancements did you achieve or attempt to achieve as a result of the work described in line 244? (Maximum 50 lines)

1. Activity: New print driver

2. Results:	Result	vs. Expectations
3. Battery life (pages)	22	113% the printer
4. driver improved the life of the battery and the motor applied the required 5. force to the anti-curl mechanism.		
6. Jam rate (jams/1,000 sheets)	27	82%
7. Media thickness upper (mm)	0.09	50%
8. Media thickness lower range (mm)	0.04	200%
9. Speed (pages per minute) (ppm)	5	100%
10. felt medium life (1000's / pages)	18.5	92%
11. Overall reject rate (%)	4	80%
12. Cost (\$)	83	85%

13. Conclusion: CLIENT CLAIM:

14. A new printer driver algorithm was developed. It was concluded that the new
15. printer driver was able to reduce the power consumption on the battery. The
16. new printer driver considers the time elapsed since the last movement of the
17. electric motor and the last registered speed of the paper and inferred the
18. presence of static friction from these variables to control the power
19. requirements.
20. The printer driver improved the life of the battery and the motor applied.
21. The required force to the anti-curl mechanism. Unlike the old printer, the
22. new printer driver followed a complex curve not found in the typical printer
23. driver.

24. CRA POSITION:

25. Mr. Wierzbica, The respondent also submitted that the development of the new
26. printer driver was also common knowledge, algorithms had been in existence
27. for a very long time and no new scientific knowledge was gained with the new
28. printer driver.

29. JUDGES RULING: ELIGIBLE

30. The calibrated power management algorithm (new printer driver) effectively
31. prevented the motor from stalling. In addition, the printer driver improved
32. the life of the battery and the motor applied the required force to the anti-
33. curl mechanism. Unlike the old printer, the new printer driver followed a
34. complex curve not found in the typical printer driver. The calibrated new
35. printer driver is a technological advancement with respect to the previous
36. technology;

37. Significant variables addressed: static versus dynamic load

38. Activity: Moisture analysis

39. Results:	Result	vs. Expectations
40. Ambient humidity limit (%)	92	70%

41. Conclusion: CRA POSITION:

42. Mr. Wierzbica, With respect to the tests performed by the appellant to
43. determine the impact of the moisture on paper, the respondent submitted that
44. the impact of moisture on the paper is a very well-known phenomenon and that
45. there was nothing scientific about building a jig.

46. JUDGES RULING: ELIGIBLE SUPPORT ACTIVITY

47. The building of jig for a small printer and trying to find a technique to
 48. apply moisture evenly into a roll of paper was also performed to remove one
 49. of the technological uncertainties, namely the paper curling.
 50. Mr. Tuli stated that building a jig for such a small roll of paper was far

Section C – Additional project information

Who prepared the responses for Section B?

253	1 <input checked="" type="checkbox"/> Employee directly involved in the project	254	Name Tuli, Raja		
255	1 <input type="checkbox"/> Other employee of the company	256	Name		
257	1 <input type="checkbox"/> External consultant	258	Name	259	Firm

List the key individuals directly involved in the project and indicate their qualifications/experience.

260	Names	261	Qualifications/experience and position title
1	Raja Tuli		Computer Engineering, 100+ patents held - BAsc. (1988) / CEO
2			
3			

265 Are you claiming any salary or wages for SR&ED performed outside Canada? 1 Yes 2 No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? 1 Yes 2 No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? 1 Yes 2 No

If you answered **yes** to line 267, complete lines 268 and 269.

268	Names of individuals or companies	269	BN
1			

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

270	1 <input type="checkbox"/> Project planning documents	276	1 <input type="checkbox"/> Progress reports, minutes of project meetings
271	1 <input type="checkbox"/> Records of resources allocated to the project, time sheets	277	1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions
272	1 <input checked="" type="checkbox"/> Design of experiments	278	1 <input type="checkbox"/> Photographs and videos
273	1 <input type="checkbox"/> Project records, laboratory notebooks	279	1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts
274	1 <input type="checkbox"/> Design, system architecture and source code	280	1 <input type="checkbox"/> Contracts
275	1 <input type="checkbox"/> Records of trial runs	281	1 <input type="checkbox"/> Others, specify 282

Part 2 – Project information (continued)

Project number 2

CRA internal form identifier 060

Code 1501

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification			
200 Project title (and identification code if applicable)			
1500 - Engineering - Tax Case (Northwest Hydraulics)			
202 Project start date	204 Completion or expected completion date	206 Field of science or technology code (See guide for list of codes)	
2015-01 <small>Year Month</small>	2016-10 <small>Year Month</small>	2.07.01	Environmental and geological engineering
Project claim history			
208 1 <input type="checkbox"/> Continuation of a previously claimed project		210 1 <input checked="" type="checkbox"/> First claim for the project	
218 Was any of the work done jointly or in collaboration with other businesses? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
If you answered yes to line 218, complete lines 220 and 221.			
220 Names of the businesses			221 BN
1			

Section B – Project descriptions
242 What scientific or technological uncertainties did you attempt to overcome? (Maximum 50 lines)
1. Objectives: Decrease Bed load Deposition: Current performance is 75 %, goal
2. is 50 %
3. Reduce Downstream scouring: Current performance is 96 %, goal is 80 %
4. Minimize Production cost: Current performance is 25000 \$, goal is 23000 \$.
5. [NOTE: THIS PROJECT DESCRIPTION IS REPRODUCED FROM FACTS OUTLINED IN THE TAX
6. COURT OF CANADA Docket: 97-531-IT-G, Date: 1998/05/01]
7. [AUTHOR'S NOTE: IDEALLY THE TAXPAYER WOULD ATTEMPT TO QUANTIFY THE OBJECTIVES
8. THEY ARE TRYING TO ACHIEVE. A QUANTIFIABLE OBJECTIVE HAS BEEN ADDED ABOVE, TO
9. ILLUSTRATE.]
10. The problems were to maintain a low flow channel near the intake during the
11. dry season, to exclude sediment from entering
12. the intake and reduce downstream scouring (erosion of materials due to high
13. velocity).
14. The concept of a divide wall is not new, but this is an entirely different
15. application when the following are taken into account:
16. it's a highly braided river, the shape of the intake works, the alignment and
17. the length and the height of the wall in combination with the gates that were
18. used. Also the development of methods for maintaining this low-flow channel
19. for the
20. intake in this highly sediment laden river is an advance.
21. Uncertainty #1: Geometry to address sediment & water levels
22. The East Rapti river is 1,800 metres wide and carries large amounts of
23. sediment. The channel is "braided", that is to say it
24. consists of a number of channels. The bank of the river in subject to erosion
25. and is highly unstable. Moreover, the slope is
26. steep giving rise to unusually high velocity.
27. How will the properties of the river affect the proposed dam? The unknown
28. effect of heavy sediment movement and
29. complicated structure combination (including weir, sluiceway, headgate,
30. ejector, settling basin, fish ladder, log passage
31. and river training works).
32. In the result three models were required:
33. (a) A model of the river; this required a distortion of the scale;
34. (b) an intake model; and
35. (c) a settling basin model.
36. For this purpose it is necessary to develop geometry for upstream training
37. dikes and spurs, and an alignment for the intake

242 What scientific or technological uncertainties did you attempt to overcome?
(Maximum 50 lines)

38. structure.
39. The capacity of the sluice gate has to be increased and a flow divide wall
40. has to be added. A downstream scour protection
41. scheme has to be devised and a settling basin has to be modified to improve
42. flushing.
43. [NOTE: EACH CHARACTERISTIC TAKEN ALONE AND IN ISOLATION WOULD PRESENT
44. DIFFICULTIES. CUMULATIVELY THEY MAGNIFY EACH OTHER.]
45. Key variables: geometry for upstream training dikes & spurs, alignment &
46. shape for the intake structure, weir, sluiceway, headgate, ejector, scour
47. protection scheme, settling basin geometry
48. Internet searches: 21 Articles
49. Patent searches: 5 patents -- various methods did not meet the
50. performance requirement

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242?
(Summarize the systematic investigation or search) (Maximum 100 lines)

1. Activity: Geometry to address sediment & water levels
2. Methods of experimentation:Analysis / simulation:63 runs / samples
3. Baseline tests
4. - The baseline tests conducted before installation of the weir showed good
5. simulation of a braided river.
6. - The high flow rates eroded the incised narrow channel system generated by
7. low flows.
8. Activity: Upstream training works
9. Methods of experimentation:Analysis / simulation:55 runs / samples, Trials:4
10. alternatives, Physical prototypes:2 samples
11. Tests with the weir indicated that upstream left-side training works are
12. needed to protect the guidebank immediately
13. upstream from the weir from erosive attack, prevent erosion of the left bank
14. (Chitwan Park), and to direct approach flow to the
15. intake.
16. An upstream training scheme consisting of three open dyke elements plus T-
17. spur dykes both upstream and downstream from
18. the open dyke sections was developed.
19. Activity: Low Flow channel
20. Methods of experimentation:Trials:18 alternatives, Physical prototypes:3
21. samples
22. [AUTHOR'S NOTE: THE DESCRIPTIONS BELOW WERE PROVIDED IN THE CRA'S EXAMPLE.
23. THE DATA ABOVE (# TRIALS/ALTERNATIVES) IS PROVIDED TO ILLUSTRATE SOME OF THE
24. ADDITIONAL DETAILS THAT WOULD IDEALLY BE INCLUDED.]
25. Bars built up in the 400 m wide approach channel during floods that isolated
26. the intake during low flows. A series of tests[HOW MANY?] were conducted
27. using submerged inner guide banks to create a low flow channel.
28. A 1 m high guidebank forming a channel 1/4 the width of the weir achieved
29. acceptable results [NOTE: A DEFINITION OF ACCEPTABLE RESULTS WOULD BE
30. BENEFICIAL].
31. Because the inner guide bank scheme concentrates flow and causes higher
32. upstream water levels, a scheme using floodway gates was adopted for further
33. study.

246 What scientific or technological advancements did you achieve or attempt to achieve as a result of the work described in line 244? (Maximum 50 lines)

1. Activity: Low Flow channel		
2. Results:	Result	vs. Expectations
3. Decrease Bed load Deposition (%)	60	60%
4. Reduce Downstream scouring (%)	71	156%
5. Minimize Production cost (\$)	25000	0%
6. Conclusion: A modified design using two 20 m wide gated floodways and one 20		
7. m undersluice was effective in producing a low flow channel to the intake		

- 8. [NOTE: CITING MAX FLOW RATES WOULD HELP].
- 9. This was accomplished primarily with open floodway gates and a closed
- 10. undersluice.
- 11. A larger radius right-side guidewall [NOTE: CITING HOW MUCH LARGER WOULD BE
- 12. HELPFUL IN ADDING A DEGREE OF QUANTIFICATION TO THE TESTING] improves flow
- 13. conditions when flow is guided by the right guidewall.
- 14. Significant variables addressed: alignment & shape for the intake structure,
- 15. geometry for upstream training dikes & spurs, scour protection scheme,
- 16. settling basin geometry, weir, sluiceway, headgate, ejector

Section C – Additional project information

Who prepared the responses for Section B?

253	1	<input checked="" type="checkbox"/> Employee directly involved in the project	254	Name Al Nobel		
255	1	<input type="checkbox"/> Other employee of the company	256	Name		
257	1	<input type="checkbox"/> External consultant	258	Name	259	Firm

List the key individuals directly involved in the project and indicate their qualifications/experience.

260	Names	261	Qualifications/experience and position title
1	Al Nobel		CET
2			
3			

265 Are you claiming any salary or wages for SR&ED performed outside Canada? 1 Yes 2 No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? 1 Yes 2 No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? 1 Yes 2 No

If you answered **yes** to line 267, complete lines 268 and 269.

268	Names of individuals or companies	269	BN
1	123 consultants(ON)-base measurements		NR

What evidence do you have to support your claim? (Check any that apply)
You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

<p>270 1 <input type="checkbox"/> Project planning documents</p> <p>271 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets</p> <p>272 1 <input type="checkbox"/> Design of experiments</p> <p>273 1 <input type="checkbox"/> Project records, laboratory notebooks</p> <p>274 1 <input type="checkbox"/> Design, system architecture and source code</p> <p>275 1 <input type="checkbox"/> Records of trial runs</p>	<p>276 1 <input checked="" type="checkbox"/> Progress reports, minutes of project meetings</p> <p>277 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions</p> <p>278 1 <input type="checkbox"/> Photographs and videos</p> <p>279 1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts</p> <p>280 1 <input type="checkbox"/> Contracts</p> <p>281 1 <input type="checkbox"/> Others, specify 282 _____</p>
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Part 2 – Project information (continued)

Project number **3**

CRA internal form identifier 060

Code 1501

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification			
200 Project title (and identification code if applicable)			
1501 - Software R&D - International Guidelines (OECD)			
202 Project start date	204 Completion or expected completion date	206 Field of science or technology code (See guide for list of codes)	
2014-01 <small>Year Month</small>	2016-10 <small>Year Month</small>	1.02.01	Computer sciences
Project claim history			
208 1 <input type="checkbox"/> Continuation of a previously claimed project		210 1 <input checked="" type="checkbox"/> First claim for the project	
218 Was any of the work done jointly or in collaboration with other businesses? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
If you answered yes to line 218, complete lines 220 and 221.			
220 Names of the businesses			221 BN
1			

Section B – Project descriptions

242 What scientific or technological uncertainties did you attempt to overcome?
(Maximum 50 lines)

1. Objectives: specialized: image/character recog'n, AI, GIS: Current performance
2. is x, goal is x
3. new theorems & algorithms : Current performance is x, goal is x
4. advances in generic approaches : Current performance is x, goal is x.
5. Uncertainty #1: Clarify Computer Science vs. Business Problems
6. Key variable: level of o/s's, prog languages &/or tools

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242?
(Summarize the systematic investigation or search) (Maximum 100 lines)

1. Activity: Typically Eligible activities
2. Frascati Manual paragraph 140.
3. The following examples illustrate the concept of R&D in software.
4. Should be included in R&D:
5. R&D producing new theorems and algorithms in the field of theoretical
6. computer science.
7. Development of information technology at the level of operating systems,
8. programming languages, data management, communications software and
9. software development tools.
10. Development of Internet technology.
11. Research into methods of designing, developing, deploying or maintaining
12. software.
13. Software development that produces advances in generic approaches for
14. capturing, transmitting, storing, retrieving, manipulating or displaying
15. information.
16. Experimental development aimed at filling technology knowledge gaps as
17. necessary to develop a software program or system.
18. R&D on software tools or technologies in specialized areas of computing

246 What scientific or technological advancements did you achieve or attempt to achieve as a result of the work described in line 244? (Maximum 50 lines)

1. Activity: Typically Ineligible activities
2. Software-related activities of a routine nature which do not involve
3. scientific and/or technological advances or resolution of technological
4. uncertainties are not to be included in R&D. Examples are:
5. Business application software and information system development using
6. known methods and existing software tools.
7. Support for existing systems.
8. Converting and/or translating computer languages.

- 9. Adding user functionality to application programmes.
- 10. Debugging of systems.
- 11. Adaptation of existing software.
- 12. Preparation of user documentation.

Section C – Additional project information

Who prepared the responses for Section B?

253 1 <input checked="" type="checkbox"/> Employee directly involved in the project	254 Name Tesla, Nick	
255 1 <input type="checkbox"/> Other employee of the company	256 Name	
257 1 <input type="checkbox"/> External consultant	258 Name	259 Firm

List the key individuals directly involved in the project and indicate their qualifications/experience.

	260 Names	261 Qualifications/experience and position title
1	Al Einstein	Physics - PhD. (1938) / Lead Researcher
2		
3		

- 265** Are you claiming any salary or wages for SR&ED performed outside Canada? 1 Yes 2 No
- 266** Are you claiming expenditures for SR&ED carried out on behalf of another party? 1 Yes 2 No
- 267** Are you claiming expenditures for SR&ED performed by people other than your employees? 1 Yes 2 No

If you answered **yes** to line 267, complete lines 268 and 269.

268 Names of individuals or companies	269 BN
1	

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

- | | |
|---|--|
| <p>270 1 <input type="checkbox"/> Project planning documents</p> <p>271 1 <input type="checkbox"/> Records of resources allocated to the project, time sheets</p> <p>272 1 <input type="checkbox"/> Design of experiments</p> <p>273 1 <input type="checkbox"/> Project records, laboratory notebooks</p> <p>274 1 <input type="checkbox"/> Design, system architecture and source code</p> <p>275 1 <input type="checkbox"/> Records of trial runs</p> | <p>276 1 <input type="checkbox"/> Progress reports, minutes of project meetings</p> <p>277 1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions</p> <p>278 1 <input type="checkbox"/> Photographs and videos</p> <p>279 1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts</p> <p>280 1 <input type="checkbox"/> Contracts</p> <p>281 1 <input type="checkbox"/> Others, specify 282 _____</p> |
|---|--|

Part 2 – Project information (continued)

Project number 4

CRA internal form identifier 060

Code 1501

Complete a separate Part 2 for each project claimed this year.

Section A – Project identification			
200 Project title (and identification code if applicable)			
1502 - Software - TAX CASE (ACSIS)			
202 Project start date	204 Completion or expected completion date	206 Field of science or technology code (See guide for list of codes)	
2015-01 <small>Year Month</small>	2016-06 <small>Year Month</small>	1.02.01	Computer sciences
Project claim history			
208 1 <input type="checkbox"/> Continuation of a previously claimed project		210 1 <input checked="" type="checkbox"/> First claim for the project	
218 Was any of the work done jointly or in collaboration with other businesses? 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No			
If you answered yes to line 218, complete lines 220 and 221.			
220 Names of the businesses			221 BN
1			

Section B – Project descriptions	
242 What scientific or technological uncertainties did you attempt to overcome? (Maximum 50 lines)	
1. Objectives: CPU Hardware limitations: Current performance is 500 MHz, goal is	
2. 100 MHz	
3. Fault tolerance: Current performance is 3 %, goal is 99.5 %.	
4. [2] The Appellant is a company based in Fredericton, New Brunswick. Its	
5. business activities focus on the development of health information systems,	
6. resource management software and process improvement consulting. This	
7. includes the creation of software applications for the centralized management	
8. of national, regional and local healthcare sectors.	
9. [3] In 2004, Belize sought the assistance of the Appellant in implementing a	
10. national healthcare system in that country. The parties executed a contract	
11. on October 28, 2004. After commencing the project, the Appellant encountered	
12. a number of challenges in Belize, including poor telecommunication	
13. infrastructure. As a result of these challenges, the Appellant was unable to	
14. utilize its Electronic Health Record (EHR) solution to address the	
15. project s goals, primarily because of the inability of the limited	
16. infrastructure in Belize to support this EHR technology. Consequently, the	
17. Appellant was unable to link the various health institutions, including	
18. health care centres, rural clinics, labs and pharmacies for the comprehensive	
19. exchange of data, as required pursuant to the terms of the project contract.	
20. [4] According to the Appellant, it engaged in organized experimental and	
21. developmental activities to establish a new technology, the Accesstec	
22. Capacity Strengthening Information System, in order to adapt its existing EHR	
23. technology in an attempt to overcome the infrastructure challenges.	
24. When the Appellant decided to proceed with the Belize project, rather than	
25. abandon it, the project necessitated consistent and dependable service	
26. despite the persistent and irregular connectivity issues encountered in	
27. Belize. Despite the constant interruptions in network service, each	
28. individual node had to function autonomously while maintaining the integrity	
29. of each patient s medical data in the absence of replicated data.	
30. Mr. Kilburn explained that the Appellant s approach to even the simplest	
31. component of detecting when connectivity existed had to change because	
32. this was a different level of replication than the Internet s not always on.	
33. It s on sometimes. (Transcript, April 9, 2015, page 38). The challenge was	
34. one of providing equal access to predictable data integrity where	
35. connectivity issues ran far deeper than would be encountered in a stable and	
36. secure environment such as Canada.	
37. The goals and objectives consisted of creating a robust replication system	

242 What scientific or technological uncertainties did you attempt to overcome?
(Maximum 50 lines)

38. capable of handling the infrastructure challenges in Belize.
39. The Appellant required a write everywhere replication system and
40. undertook experimental development to attempt to create technology that could
41. mimic the availability of stable communications infrastructure in a hostile
42. network environment where nodes must optimize the utilization of the minimal
43. network resources.
44. Transitioning of the replication algorithms to the conditions of the target
45. environment required the algorithms to be more fault-tolerant in an attempt
46. for the system to seize the advantage of connectivity when it was available
47. The technology that the Appellant was required to develop was meant to
48. support and accommodate the applications that would preserve, transmit and
49. store critical medical data with certainty and predictability in an unstable
50. network environment.

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242?
(Summarize the systematic investigation or search) (Maximum 100 lines)

1. Activity: Activity 1
2. Methods of experimentation: Analysis / simulation: 450 runs / samples,
3. Trials: 19 alternatives
4. The claimant provided a SR&ED activity sample that elaborated on the
5. systematic investigative process that occurred with respect to a particular
6. task, of observing and analyzing replication functionality over dial-up,
7. which was part of the larger project.
8. This was meant to serve as an example of one experiment of many project
9. elements that took place over a three-week period in early 2006. The document
10. outlined the objectives, procedures, observations conducted and investigative
11. techniques that were pursued and utilized in respect to this one element.
12. These various documents showed how the project evolved in respect to
13. developing hypotheses, conducting various testing of theories, installing and
14. refining algorithms and evaluating the outcome.
15. On cross-examination, Mr. Rutter stated that the Appellant did not measure
16. these connectivity issues, except through observation and experience,
17. because the Appellant had no control over the private company in Belize that
18. was in charge of connectivity in that country. When asked how the Appellant
19. measured effectiveness, Mr. Rutter testified that this measurement related
20. more to the integrity of the data and the accuracy with which it reached its
21. destination despite connectivity challenges.
22. Mr. Kilburn also explained how conducting unit tests eventually led to
23. staging tests where algorithms were tested and refined in simulated
24. environments. In summing up what the Appellant was doing, he stated: ... We
25. formulate some assumptions. You develop your solution based on this and then
26. you test the theories and see if it solves your problems.
27. The initial investigative trials revealed that algorithms were vulnerable to
28. lost data due to poor connectivity. Measurement occurred at the design stage
29. and, according to the testimony of both Mr. Rutter and Mr. Kilburn,
30. preliminary testing occurred at the pseudo-code stage prior to using actual
31. code. At the pseudo-code stage, vulnerabilities were reviewed and solutions
32. looked at to make these aspects more reliable.
33. [37] Mr. Kilburn explained how refinements to ideas for prototypes occurred
34. and how implementation notes were kept for the various components contained
35. in the documents (Transcript, April 9, 2015, page 39). He referred to the
36. content of these notes, which list rough algorithms for network behaviour,
37. the three stages of full synchronization using the mobile connector, the
38. operative requirements of the node manager in order for it to manage
39. sequences and subscriptions, and node and master behaviour (Exhibit A-1,
40. Volume 2, Tab 22). This exhibit contained copies of handwritten notes
41. respecting such items as whiteboard sessions and online replication ideas in
42. February, 2005, thoughts on conflict detection in June, 2005, potential

244 What work did you perform in the tax year to overcome the scientific or technological uncertainties described in line 242? (Summarize the systematic investigation or search) (Maximum 100 lines)

43. concepts on how to implement automatic software updates in July, 2005,
 44. staging tests and data integrity completed in August, 2005, accounting data
 45. bootstrapping in September and October, 2005 and file transfer and file
 46. splitting. Attached to those notes was a SR&ED activity sample that
 47. elaborated on the systematic investigative process that occurred with respect
 48. to a particular task, of observing and analyzing replication functionality
 49. over dial-up, which was part of the larger project. This was meant to serve
 50. as an example of one experiment of many project elements that took place over
 51. a three-week period in early 2006. The document outlined the objectives,
 52. procedures, observations conducted and investigative techniques that were
 53. pursued and utilized in respect to this one element. These various documents
 54. showed how the project evolved in respect to developing hypotheses,
 55. conducting various testing of theories, installing and refining algorithms
 56. and evaluating the outcome.

57. [38] Mr. Kilburn testified that the scientific method, when applied to
 58. computer programming, does not have the same structure that would be employed
 59. in a science such as chemistry, where measurement is used in a different
 60. context. When asked on cross-examination if he tracked the number of tests
 61. that he ran, he stated that the tests conducted take many forms, average in
 62. the hundreds and there s a tests [sic] that s written once and is executed
 63. a thousand times. (Transcript, April 9, 2015, page 70).

64. [12] Mr. Kilburn testified that he kept notes, whiteboard photos and computer
 65. script notes, which were completed contemporaneously with the planned testing
 66. being conducted. In conducting test cases, some of them were embedded in the
 67. software through unit tests, while others were developed through idea
 68. development from initial brainstorming to prototyping design of the various
 69. aspects of the health information system that had to be integrated within an
 70. environment of unreliable network connectivity. Unit tests and staging tests
 71. led to algorithms that could be refined and installed to try to simulate and
 72. validate theories based on available connectivity. Mr. Kilburn testified that
 73. logs, or notebooks of the software, tracked events and if there were errors
 74. or connectivity issues, an analysis of the logs was conducted. The code was
 75. modified to address the problems so that eventually, based on the anticipated
 76. environment, the code would behave as expected at every facility in Belize.
 77. In addition to constructing algorithms that would synchronize data across a
 78. multi-write network and ensure that mission-critical patient data had
 79. complete availability and absolute correctness,
 80. Mr. Kilburn testified that logs, or notebooks of the software, tracked events
 81. and if there were errors or connectivity issues, an analysis of the logs was
 82. conducted. The code was modified to address the problems so that eventually,
 83. based on the anticipated environment, the code would behave as expected at
 84. every facility in Belize. In addition to constructing algorithms that would
 85. synchronize data across a multi-write network and ensure that mission-
 86. critical patient data had complete availability and absolute correctness,

246 What scientific or technological advancements did you achieve or attempt to achieve as a result of the work described in line 244? (Maximum 50 lines)

1. Activity: Activity 1		
2. Results:	Result	vs. Expectations
3. CPU Hardware limitations (MHz)	150	87%
4. Fault tolerance (%)	99	99%
5. Conclusion: According to the judge;		
6. [41] The solution to the technological uncertainties that existed with the		
7. Belize project resulted in the creation of a multi-write database replication		
8. system. This approach was not only innovative but leading-edge in that it		
9. produced an integrated health information system that resulted in the		
10. successful establishment in Belize of the first nationwide health information		
11. system of its kind.		

12. The evidence suggested that the available open source replication solutions
 13. were inappropriate as they were meant for very different purposes within the
 14. field, designed to work with strong connectivity infrastructure.
 15. Since an appropriate replication solution was not available, the Appellant
 16. undertook experimental development work to create technology that could mimic
 17. a stable communications infrastructure in the hostile environment that
 18. existed in Belize.
 19. Significant variables addressed: node and master behaviour, sequences and
 20. subscriptions

Section C – Additional project information

Who prepared the responses for Section B?

253	1 <input checked="" type="checkbox"/> Employee directly involved in the project	254 Name Rutter, John Nicholas
255	1 <input type="checkbox"/> Other employee of the company	256 Name
257	1 <input type="checkbox"/> External consultant	258 Name 259 Firm

List the key individuals directly involved in the project and indicate their qualifications/experience.

260	Names	261	Qualifications/experience and position title
1	Colin Kilburn		Unknown - BSc. (1995) / Software developer
2			
3			

265 Are you claiming any salary or wages for SR&ED performed outside Canada? 1 Yes 2 No

266 Are you claiming expenditures for SR&ED carried out on behalf of another party? 1 Yes 2 No

267 Are you claiming expenditures for SR&ED performed by people other than your employees? 1 Yes 2 No

If you answered **yes** to line 267, complete lines 268 and 269.

268	Names of individuals or companies	269	BN
1			

What evidence do you have to support your claim? (Check any that apply)

You do not need to submit these items with the claim. However, you are required to retain them in the event of a review.

270	1 <input type="checkbox"/> Project planning documents	276	1 <input type="checkbox"/> Progress reports, minutes of project meetings
271	1 <input type="checkbox"/> Records of resources allocated to the project, time sheets	277	1 <input type="checkbox"/> Test protocols, test data, analysis of test results, conclusions
272	1 <input checked="" type="checkbox"/> Design of experiments	278	1 <input type="checkbox"/> Photographs and videos
273	1 <input type="checkbox"/> Project records, laboratory notebooks	279	1 <input type="checkbox"/> Samples, prototypes, scrap or other artefacts
274	1 <input checked="" type="checkbox"/> Design, system architecture and source code	280	1 <input type="checkbox"/> Contracts
275	1 <input type="checkbox"/> Records of trial runs	281	1 <input type="checkbox"/> Others, specify 282

T2 Corporation Income Tax Return

This form serves as a federal, provincial, and territorial corporation income tax return, unless the corporation is located in Quebec or Alberta. If the corporation is located in one of these provinces, you have to file a separate provincial corporation return.

All legislative references on this return are to the federal *Income Tax Act* and *Income Tax Regulations*. This return may contain changes that had not yet become law at the time of publication.

Send one completed copy of this return, including schedules and the *General Index of Financial Information* (GIFI), to your tax centre or tax services office. You have to file the return within six months after the end of the corporation's tax year.

For more information see www.cra.gc.ca or Guide T4012, *T2 Corporation – Income Tax Guide*.

055 Do not use this area

Identification
Business number (BN) **001**

Corporation's name
002 RDBASE SR&ED CASE STUDY

Address of head office
Has this address changed since the last time we were notified? **010** 1 Yes 2 No
(If **yes**, complete lines 011 to 018.)

011
012

City Province, territory, or state
015 **016**

Country (other than Canada) Postal code/Zip code
017 **018**

Mailing address (if different from head office address)
Has this address changed since the last time we were notified? **020** 1 Yes 2 No
(If **yes**, complete lines 021 to 028.)

021 c/o
022
023

City Province, territory, or state
025 **026**

Country (other than Canada) Postal code/Zip code
027 **028**

Location of books and records (if different from head office address)
Has the location of books and records changed since the last time we were notified? **030** 1 Yes 2 No
(If **yes**, complete lines 031 to 038.)

031
032

City Province, territory, or state
035 **036**

Country (other than Canada) Postal code/Zip code
037 **038**

040 Type of corporation at the end of the tax year
1 Canadian-controlled private corporation (CCPC) 4 Corporation controlled by a public corporation
2 Other private corporation 5 Other corporation (specify, below)
3 Public corporation

If the type of corporation changed during the tax year, provide the effective date of the change **043** _____
YYYY MM DD

To which tax year does this return apply?
Tax year start Tax year-end
060 2015-01-01 **061** 2015-12-31
YYYY MM DD YYYY MM DD

Has there been an acquisition of control to which subsection 249(4) applies since the tax year start on line 060? . . . **063** 1 Yes 2 No
If **yes**, provide the date control was acquired **065** _____
YYYY MM DD

Is the date on line 061 a deemed tax year-end according to subsection 249(3.1)? **066** 1 Yes 2 No

Is the corporation a professional corporation that is a member of a partnership? **067** 1 Yes 2 No

Is this the first year of filing after:
Incorporation? **070** 1 Yes 2 No
Amalgamation? **071** 1 Yes 2 No
If **yes**, complete lines 030 to 038 and attach Schedule 24.

Has there been a wind-up of a subsidiary under section 88 during the current tax year? **072** 1 Yes 2 No
If **yes**, complete and attach Schedule 24.

Is this the final tax year before amalgamation? **076** 1 Yes 2 No

Is this the final return up to dissolution? **078** 1 Yes 2 No

If an election was made under section 261, state the functional currency used **079** _____

Is the corporation a resident of Canada?
080 1 Yes 2 No If **no**, give the country of residence on line 081 and complete and attach Schedule 97.
081 _____

Is the non-resident corporation claiming an exemption under an income tax treaty? **082** 1 Yes 2 No
If **yes**, complete and attach Schedule 91.

If the corporation is exempt from tax under section 149, tick one of the following boxes:
085 1 Exempt under paragraph 149(1)(e) or (l)
2 Exempt under paragraph 149(1)(j)
3 Exempt under paragraph 149(1)(t)
4 Exempt under other paragraphs of section 149

Do not use this area

095 **096** **098**

Attachments

Financial statement information: Use GIFL schedules 100, 125, and 141.

Schedules – Answer the following questions. For each **yes** response, **attach** the schedule to the T2 return, unless otherwise instructed.

	Yes	Schedule
Is the corporation related to any other corporations?	<input type="checkbox"/>	9
Is the corporation an associated CCPC?	<input type="checkbox"/>	23
Is the corporation an associated CCPC that is claiming the expenditure limit?	<input type="checkbox"/>	49
Does the corporation have any non-resident shareholders who own voting shares?	<input type="checkbox"/>	19
Has the corporation had any transactions, including section 85 transfers, with its shareholders, officers, or employees, other than transactions in the ordinary course of business? Exclude non-arm's length transactions with non-residents	<input type="checkbox"/>	11
If you answered yes to the above question, and the transaction was between corporations not dealing at arm's length, were all or substantially all of the assets of the transferor disposed of to the transferee?	<input type="checkbox"/>	44
Has the corporation paid any royalties, management fees, or other similar payments to residents of Canada?	<input type="checkbox"/>	14
Is the corporation claiming a deduction for payments to a type of employee benefit plan?	<input type="checkbox"/>	15
Is the corporation claiming a loss or deduction from a tax shelter?	<input type="checkbox"/>	T5004
Is the corporation a member of a partnership for which a partnership account number has been assigned?	<input type="checkbox"/>	T5013
Did the corporation, a foreign affiliate controlled by the corporation, or any other corporation or trust that did not deal at arm's length with the corporation have a beneficial interest in a non-resident discretionary trust (without reference to section 94)?	<input type="checkbox"/>	22
Did the corporation own any shares in one or more foreign affiliates in the tax year?	<input type="checkbox"/>	25
Has the corporation made any payments to non-residents of Canada under subsections 202(1) and/or 105(1) of the <i>Income Tax Regulations</i> ?	<input type="checkbox"/>	29
Did the corporation have a total amount over \$1 million of reportable transactions with non-arm's length non-residents?	<input type="checkbox"/>	T106
For private corporations: Does the corporation have any shareholders who own 10% or more of the corporation's common and/or preferred shares?	<input type="checkbox"/>	50
Has the corporation made payments to, or received amounts from, a retirement compensation plan arrangement during the year?	<input type="checkbox"/>	
Does the corporation earn income from one or more Internet webpages or websites?	<input type="checkbox"/>	88
Is the net income/loss shown on the financial statements different from the net income/loss for income tax purposes?	<input checked="" type="checkbox"/>	1
Has the corporation made any charitable donations; gifts to Canada, a province, or a territory; gifts of cultural or ecological property; or gifts of medicine?	<input type="checkbox"/>	2
Has the corporation received any dividends or paid any taxable dividends for purposes of the dividend refund?	<input type="checkbox"/>	3
Is the corporation claiming any type of losses?	<input type="checkbox"/>	4
Is the corporation claiming a provincial or territorial tax credit or does it have a permanent establishment in more than one jurisdiction?	<input checked="" type="checkbox"/>	5
Has the corporation realized any capital gains or incurred any capital losses during the tax year?	<input type="checkbox"/>	6
i) Is the corporation claiming the small business deduction and reporting income from: a) property (other than dividends deductible on line 320 of the T2 return), b) a partnership, c) a foreign business, or d) a personal services business; or ii) does the corporation have aggregate investment income at line 440?	<input type="checkbox"/>	7
Does the corporation have any property that is eligible for capital cost allowance?	<input type="checkbox"/>	8
Does the corporation have any property that is eligible capital property?	<input type="checkbox"/>	10
Does the corporation have any resource-related deductions?	<input type="checkbox"/>	12
Is the corporation claiming deductible reserves (other than transitional reserves under section 34.2)?	<input type="checkbox"/>	13
Is the corporation claiming a patronage dividend deduction?	<input type="checkbox"/>	16
Is the corporation a credit union claiming a deduction for allocations in proportion to borrowing or an additional deduction?	<input type="checkbox"/>	17
Is the corporation an investment corporation or a mutual fund corporation?	<input type="checkbox"/>	18
Is the corporation carrying on business in Canada as a non-resident corporation?	<input type="checkbox"/>	20
Is the corporation claiming any federal, provincial, or territorial foreign tax credits, or any federal logging tax credits?	<input type="checkbox"/>	21
Does the corporation have any Canadian manufacturing and processing profits?	<input type="checkbox"/>	27
Is the corporation claiming an investment tax credit?	<input checked="" type="checkbox"/>	31
Is the corporation claiming any scientific research and experimental development (SR&ED) expenditures?	<input checked="" type="checkbox"/>	T661
Is the total taxable capital employed in Canada of the corporation and its related corporations over \$10,000,000?	<input type="checkbox"/>	33/34/35
Is the total taxable capital employed in Canada of the corporation and its associated corporations over \$10,000,000?	<input type="checkbox"/>	
Is the corporation claiming a surtax credit?	<input type="checkbox"/>	37
Is the corporation subject to gross Part VI tax on capital of financial institutions?	<input type="checkbox"/>	38
Is the corporation claiming a Part I tax credit?	<input type="checkbox"/>	42
Is the corporation subject to Part IV.1 tax on dividends received on taxable preferred shares or Part VI.1 tax on dividends paid?	<input type="checkbox"/>	43
Is the corporation agreeing to a transfer of the liability for Part VI.1 tax?	<input type="checkbox"/>	45
Is the corporation subject to Part II - Tobacco Manufacturers' surtax?	<input type="checkbox"/>	46
For financial institutions: Is the corporation a member of a related group of financial institutions with one or more members subject to gross Part VI tax?	<input type="checkbox"/>	39
Is the corporation claiming a Canadian film or video production tax credit refund?	<input type="checkbox"/>	T1131
Is the corporation claiming a film or video production services tax credit refund?	<input type="checkbox"/>	T1177
Is the corporation subject to Part XIII.1 tax? (Show your calculations on a sheet that you identify as Schedule 92.)	<input type="checkbox"/>	92

Attachments – continued from page 2

		Yes	Schedule
Did the corporation have any foreign affiliates in the tax year?	271	<input type="checkbox"/>	T1134
Did the corporation own or hold specified foreign property where the total cost amount of all such property, at any time in the year, was more than CAN\$100,000?	259	<input type="checkbox"/>	T1135
Did the corporation transfer or loan property to a non-resident trust?	260	<input type="checkbox"/>	T1141
Did the corporation receive a distribution from or was it indebted to a non-resident trust in the year?	261	<input type="checkbox"/>	T1142
Has the corporation entered into an agreement to allocate assistance for SR&ED carried out in Canada?	262	<input type="checkbox"/>	T1145
Has the corporation entered into an agreement to transfer qualified expenditures incurred in respect of SR&ED contracts?	263	<input type="checkbox"/>	T1146
Has the corporation entered into an agreement with other associated corporations for salary or wages of specified employees for SR&ED?	264	<input type="checkbox"/>	T1174
Did the corporation pay taxable dividends (other than capital gains dividends) in the tax year?	265	<input type="checkbox"/>	55
Has the corporation made an election under subsection 89(11) not to be a CCPC?	266	<input type="checkbox"/>	T2002
Has the corporation revoked any previous election made under subsection 89(11)?	267	<input type="checkbox"/>	T2002
Did the corporation (CCPC or deposit insurance corporation (DIC)) pay eligible dividends, or did its general rate income pool (GRIP) change in the tax year?	268	<input type="checkbox"/>	53
Did the corporation (other than a CCPC or DIC) pay eligible dividends, or did its low rate income pool (LRIP) change in the tax year?	269	<input type="checkbox"/>	54

Additional information

Did the corporation use the International Financial Reporting Standards (IFRS) when it prepared its financial statements?	270	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Is the corporation inactive?	280	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
What is the corporation's main revenue-generating business activity?			
Specify the principal products mined, manufactured, sold, constructed, or services provided, giving the approximate percentage of the total revenue that each product or service represents.	284	SR&ED	285 100.000 %
	286		287 %
	288		289 %
Did the corporation immigrate to Canada during the tax year?	291	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Did the corporation emigrate from Canada during the tax year?	292	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
Do you want to be considered as a quarterly instalment remitter if you are eligible?	293	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>
If the corporation was eligible to remit instalments on a quarterly basis for part of the tax year, provide the date the corporation ceased to be eligible	294		YYYY MM DD
If the corporation's major business activity is construction, did you have any subcontractors during the tax year?	295	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>

Taxable income

Net income or (loss) for income tax purposes from Schedule 1, financial statements, or GIFL.	300	169,883	A
Deduct: Charitable donations from Schedule 2	311		
Gifts to Canada, a province, or a territory from Schedule 2	312		
Cultural gifts from Schedule 2	313		
Ecological gifts from Schedule 2	314		
Gifts of medicine from Schedule 2	315		
Taxable dividends deductible under section 112 or 113, or subsection 138(6) from Schedule 3	320		
Part VI.1 tax deduction*	325		
Non-capital losses of previous tax years from Schedule 4	331		
Net capital losses of previous tax years from Schedule 4	332		
Restricted farm losses of previous tax years from Schedule 4	333		
Farm losses of previous tax years from Schedule 4	334		
Limited partnership losses of previous tax years from Schedule 4	335		
Taxable capital gains or taxable dividends allocated from a central credit union	340		
Prospector's and grubstaker's shares	350		
Subtotal			B
Subtotal (amount A minus amount B) (if negative, enter "0")		169,883	C
Add: Section 110.5 additions or subparagraph 115(1)(a)(vii) additions	355		D
Taxable income (amount C plus amount D)	360	169,883	
Income exempt under paragraph 149(1)(t)	370		
Taxable income for a corporation with exempt income under paragraph 149(1)(t) (line 360 minus line 370)		169,883	Z
Taxable income for the year from a personal services business**			Z.1

* This amount is equal to 3.5 times the Part VI.1 tax payable at line 724 on page 8.

** For a taxation year that ends after 2015.

Small business deduction

Canadian-controlled private corporations (CCPCs) throughout the tax year

Income from active business carried on in Canada from Schedule 7	400	169,883	A
Taxable income from line 360 on page 3, minus 100/28 3.57143 of the amount on line 632* on page 7, minus 4 times the amount on line 636** on page 7, and minus any amount that, because of federal law, is exempt from Part I tax	405	169,883	B
Business limit (see notes 1 and 2 below)		500,000	C.1
Corporation's business limit amount assigned to related CPCCs by virtue of the rules proposed in the March 22, 2016 Federal Budget (For more information, consult the Help (F1).)			C.2
Business limit after assignment (amount C.1 minus amount C.2)		500,000	C
	410	500,000	

Notes:

- For CCPCs that are not associated, enter \$ 500,000 on line 410. However, if the corporation's tax year is less than 51 weeks, prorate this amount by the number of days in the tax year divided by 365, and enter the result on line 410.
- For associated CCPCs, use Schedule 23 to calculate the amount to be entered on line 410.

Business limit reduction:

Amount C	500,000	x	415 ***	D	=		E
				11,250			
Reduced business limit (amount C minus amount E) (if negative, enter "0")						425	500,000

Small business deduction

Amount A, B, C, or F, whichever is the least	169,883	x	Number of days in the tax year before January 1, 2016	365	x	17 % =	28,880	1
			Number of days in the tax year	365				
Amount A, B, C, or F, whichever is the least	169,883	x	Number of days in the tax year after December 31, 2015, and before January 1, 2017		x	17.5 % =		2
			Number of days in the tax year	365				
Total of amounts 1 and 2 (enter amount G on line I on page 7)						430	28,880	G

* Calculate the amount of foreign non-business income tax credit deductible on line 632 without reference to the refundable tax on the CCPC's investment income (line 604) and without reference to the corporate tax reductions under section 123.4.

** Calculate the amount of foreign business income tax credit deductible on line 636 without reference to the corporation tax reductions under section 123.4.

***** Large corporations**

- If the corporation is not associated with any corporations in both the current and previous tax years, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **prior year** minus \$10,000,000) x 0.225%.
- If the corporation is not associated with any corporations in the current tax year, but was associated in the previous tax year, the amount to be entered on line 415 is: (total taxable capital employed in Canada for the **current year** minus \$10,000,000) x 0.225%.
- For corporations associated in the current tax year, see Schedule 23 for the special rules that apply.

General tax reduction for Canadian-controlled private corporations

Canadian-controlled private corporations throughout the tax year

Taxable income from page 3 (line 360 or amount Z, whichever applies)	.....	_____	169,883	A
Lesser of amounts B9 and H9 from Part 9 of Schedule 27	.....	_____		B
Amount K13 from Part 13 of Schedule 27	.....	_____		C
Personal service business income	.....	432		D
Amount used to calculate the credit union deduction (amount F from Schedule 17)	.....	_____		E
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least	.....	_____	169,883	F
Aggregate investment income from line 440 on page 6*	.....	_____		G
Subtotal (add amounts B to G)	.....	_____	169,883	H
Amount A minus amount H (if negative, enter "0")	.....	_____		I
General tax reduction for Canadian-controlled private corporations – Amount I multiplied by	13 %	.....	_____	J

Enter amount J on line 638 on page 7.

* Except for a corporation that is, throughout the year, a cooperative corporation (within the meaning assigned by subsection 136(2)) or a credit union.

General tax reduction

Do not complete this area if you are a Canadian-controlled private corporation, an investment corporation, a mortgage investment corporation, a mutual fund corporation, or any corporation with taxable income that is not subject to the corporation tax rate of 38%.

Taxable income from page 3 (line 360 or amount Z, whichever applies)	.....	_____		K
Lesser of amounts B9 and H9 from Part 9 of Schedule 27	.....	_____		L
Amount K13 from Part 13 of Schedule 27	.....	_____		M
Personal service business income	.....	434		N
Amount used to calculate the credit union deduction (amount F from Schedule 17)	.....	_____		O
Subtotal (add amounts L to O)	.....	_____		P
Amount K minus amount P (if negative, enter "0")	.....	_____		Q
General tax reduction – Amount Q multiplied by	13 %	.....	_____	R

Enter amount R on line 639 on page 7.

Refundable portion of Part I tax

Canadian-controlled private corporations throughout the tax year

Aggregate investment income from Schedule 7 440	x	(26 2 / 3 + 4 x _____) %	=	_____	A
		Number of days in the tax year after 2015			
		365			
		Number of days in the tax year			
Foreign non-business income tax credit from line 632 on page 7					B
Deduct:					
Foreign investment income from Schedule 7 445	x	(9 1 / 3 - 1 1 / 3 x _____) %	=	_____	C
		Number of days in the tax year after 2015			
		365			
		Number of days in the tax year			
(if negative, enter "0") _____					D
Amount A minus amount D (if negative, enter "0")					E
Taxable income from line 360 on page 3 169,883					F
Deduct:					
Amount from line 400, 405, 410, or 425 on page 4, whichever is the least 169,883					G
Foreign non-business income tax credit from line 632 on page 7 x 100 / 35 = _____					H
Foreign business income tax credit from line 636 on page 7 x 4 = _____					I
Subtotal <u>169,883</u>					J
					K
K x (26 2 / 3 + 4 x _____) % = _____					L
Number of days in the tax year after 2015					
Number of days in the tax year					365
Part I tax payable minus investment tax credit refund (line 700 minus line 780 from page 8)					M
Refundable portion of Part I tax – Amount E, L, or M, whichever is the least 450					N

Refundable dividend tax on hand

Refundable dividend tax on hand at the end of the previous tax year 460					
Deduct: Dividend refund for the previous tax year 465					
					O
Add the total of:					
Refundable portion of Part I tax from line 450 above					P
Total Part IV tax payable from Schedule 3					Q
Net refundable dividend tax on hand transferred from a predecessor corporation on amalgamation, or from a wound-up subsidiary corporation 480					R
Refundable dividend tax on hand at the end of the tax year – Amount O plus amount R 485					

Dividend refund

Private and subject corporations at the time taxable dividends were paid in the tax year

Taxable dividends paid in the tax year from line 460 on page 2 of Schedule 3	x	[(1 / 3) + (5 x _____) %]	=	_____	S
		Number of days in the tax year after 2015			
		365			
		Number of days in the tax year			
Refundable dividend tax on hand at the end of the tax year from line 485 above					T
Dividend refund – Amount S or T, whichever is less					U
Enter amount U on line 784 on page 8.					

Part I tax

Base amount Part I tax – Taxable income from page 3 (line 360 or amount Z, whichever applies) **multiplied** by 38 %* .. **550** 64,556 A

* If an amount of taxable income for the year from a personal services business has been entered on line Z.1, the result of the following calculation will be added to the amount on line 550:

$$\text{Amount Z.1} \times \frac{\text{Number of days in the taxation year that are after 2015}}{\text{Number of days in the taxation year}} \times 5\% = \text{A.1}$$

365

Recapture of investment tax credit from Schedule 31 **602** B

Calculation for the refundable tax on the Canadian-controlled private corporation's (CCPC) investment income
(if it was a CCPC throughout the tax year)

Aggregate investment income from line 440 on page 6 C
Taxable income from line 360 on page 3 169,883 D

Deduct:

Amount from line 400, 405, 410, or 425 on page 4, whichever is the least 169,883 E

Net amount (amount D minus amount E) **F**

Refundable tax on CCPC's investment income –

$$\left(\frac{62}{365} + \frac{4}{365} \times \frac{\text{Number of days in the tax year after 2015}}{\text{Number of days in the tax year}} \right) \% \text{ of whichever is less: amount C or amount F} \dots \dots \dots \mathbf{604} \dots \dots \dots \mathbf{G}$$

Subtotal (add amounts A, B, and G) 64,556 H

Deduct:

Small business deduction from line 430 on page 4	28,880	I
Federal tax abatement	608	16,988
Manufacturing and processing profits deduction from Schedule 27	616	
Investment corporation deduction	620	
Taxed capital gains 624		
Additional deduction – credit unions from Schedule 17	628	
Federal foreign non-business income tax credit from Schedule 21	632	
Federal foreign business income tax credit from Schedule 21	636	
General tax reduction for CCPCs from amount J on page 5	638	
General tax reduction from amount R on page 5	639	
Federal logging tax credit from Schedule 21	640	
Eligible Canadian bank deduction under section 125.21	641	
Federal qualifying environmental trust tax credit	648	
Investment tax credit from Schedule 31	652	18,688
Subtotal	64,556	J

Part I tax payable – Amount H minus amount J **K**

Enter amount K on line 700 on page 8.

Privacy statement

Personal information is collected under the *Income Tax Act* to administer tax, benefits, and related programs. It may also be used for any purpose related to the administration or enforcement of the Act such as audit, compliance and the payment of debts owed to the Crown. It may be shared or verified with other federal, provincial/territorial government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the *Privacy Act*, individuals have the right to access their personal information and request correction if there are errors or omissions. Refer to Info Source <http://www.cra-arc.gc.ca/gncy/tp/nfsrc/nfsrc-eng.html>, personal information bank CRA PPU 047.

Summary of tax and credits

Federal tax

Part I tax payable from amount K on page 7	700	
Part II surtax payable from Schedule 46	708	
Part III.1 tax payable from Schedule 55	710	
Part IV tax payable from Schedule 3	712	
Part IV.1 tax payable from Schedule 43	716	
Part VI tax payable from Schedule 38	720	
Part VI.1 tax payable from Schedule 43	724	
Part XIII.1 tax payable from Schedule 92	727	
Part XIV tax payable from Schedule 20	728	

Total federal tax _____

Add provincial or territorial tax:

Provincial or territorial jurisdiction . . . **750** ON
(if more than one jurisdiction, enter "multiple" and complete Schedule 5)

Net provincial or territorial tax payable (except Quebec and Alberta) _____ **760**
Total tax payable **770** _____ A

Deduct other credits:

Investment tax credit refund from Schedule 31	780	178,662
Dividend refund from amount U on page 6	784	
Federal capital gains refund from Schedule 18	788	
Federal qualifying environmental trust tax credit refund	792	
Canadian film or video production tax credit refund (Form T1131)	796	
Film or video production services tax credit refund (Form T1177)	797	
Tax withheld at source	800	
Total payments on which tax has been withheld	801	
Provincial and territorial capital gains refund from Schedule 18	808	
Provincial and territorial refundable tax credits from Schedule 5	812	65,603
Tax instalments paid	840	
Total credits	890	244,265

Refund code **894** Overpayment 244,265 ← Balance (amount A minus amount B) -244,265 B

Direct deposit request

To have the corporation's refund deposited directly into the corporation's bank account at a financial institution in Canada, or to change banking information you already gave us, complete the information below:

Start Change information **910** Branch number
914 Institution number **918** Account number

If the result is positive, you have a **balance unpaid**.
If the result is negative, you have an **overpayment**.
Enter the amount on whichever line applies.
Generally, we do not charge or refund a difference of \$2 or less.

Balance unpaid

For information on how to make your payment, go to www.cra-arc.gc.ca/payments.

If the corporation is a Canadian-controlled private corporation throughout the tax year, does it qualify for the one-month extension of the date the balance of tax is due? **896** 1 Yes 2 No

If this return was prepared by a tax preparer for a fee, provide their EFILE number **920**

Certification

I, **950** Last name (print) **951** CEO First name (print) **954** Position, office, or rank

am an authorized signing officer of the corporation. I certify that I have examined this return, including accompanying schedules and statements, and that the information given on this return is, to the best of my knowledge, correct and complete. I also certify that the method of calculating income for this tax year is consistent with that of the previous tax year except as specifically disclosed in a statement attached to this return.

955 2016-10-12 Date (yyyy/mm/dd) Signature of the authorized signing officer of the corporation **956** Telephone number

Is the contact person the same as the authorized signing officer? If **no**, complete the information below **957** 1 Yes 2 No

958 Name (print) **959** Telephone number

Language of correspondence – Langue de correspondance

Indicate your language of correspondence by entering **1** for English or **2** for French. **990** 1 2

Form identifier 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Corporation's name	Business number	Tax year end Year Month Day
RDBASE SR&ED CASE STUDY		2015-12-31

Balance sheet information

Account	Description	GIFI	Current year	Prior year
Assets				
	Total current assets	1599	+	
	Total tangible capital assets	2008	+	
	Total accumulated amortization of tangible capital assets	2009	-	
	Total intangible capital assets	2178	+	
	Total accumulated amortization of intangible capital assets	2179	-	
	Total long-term assets	2589	+	
	* Assets held in trust	2590	+	
	Total assets (mandatory field)	2599	=	
Liabilities				
	Total current liabilities	3139	+	
	Total long-term liabilities	3450	+	
	* Subordinated debt	3460	+	
	* Amounts held in trust	3470	+	
	Total liabilities (mandatory field)	3499	=	
Shareholder equity				
	Total shareholder equity (mandatory field)	3620	+	100,000
	Total liabilities and shareholder equity	3640	=	<u>100,000</u>
Retained earnings				
	Retained earnings/deficit – end (mandatory field)	3849	=	<u>100,000</u>

* Generic item

Form identifier 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIFI

Corporation's name RDBASE SR&ED CASE STUDY	Business number	Tax year end Year Month Day 2015-12-31
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Income statement information

Description	GIFI
Operating name	0001
Description of the operation	0002
Sequence number	0003 01

Account	Description	GIFI	Current year	Prior year
---------	-------------	------	--------------	------------

Income statement information				
	Total sales of goods and services	8089	+	100,000
	Cost of sales	8518	-	
	Gross profit/loss	8519	=	100,000
	Cost of sales	8518	+	
	Total operating expenses	9367	+	
	Total expenses (mandatory field)	9368	=	
	Total revenue (mandatory field)	8299	+	100,000
	Total expenses (mandatory field)	9368	-	
	Net non-farming income	9369	=	100,000

Farming income statement information				
	Total farm revenue (mandatory field)	9659	+	
	Total farm expenses (mandatory field)	9898	-	
	Net farm income	9899	=	

	Net income/loss before taxes and extraordinary items	9970	=	100,000
--	---	-------------	---	---------

	Total other comprehensive income	9998	=	
--	---	-------------	---	--

Extraordinary items and income (linked to Schedule 140)				
	Extraordinary item(s)	9975	-	
	Legal settlements	9976	-	
	Unrealized gains/losses	9980	+	
	Unusual items	9985	-	
	Current income taxes	9990	-	
	Future (deferred) income tax provision	9995	-	
	Total – Other comprehensive income	9998	+	
	Net income/loss after taxes and extraordinary items (mandatory field)	9999	=	100,000

Notes Checklist

Corporation's name RDBASE SR&ED CASE STUDY	Business number	Tax year-end Year Month Day 2015-12-31
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- Parts 1, 2, and 3 of this schedule must be completed from the perspective of the person (referred to in these parts as the **accountant**) who prepared or reported on the financial statements. If the person preparing the tax return is not the accountant referred to above, they must still complete Parts 1, 2, 3, and 4, as applicable.
- For more information, see Guide RC4088, *General Index of Financial Information (GIFI)* and T4012, *T2 Corporation – Income Tax Guide*.
- Complete this schedule and include it with your T2 return along with the other GIFI schedules.

Part 1 – Information on the accountant who prepared or reported on the financial statements

- Does the accountant have a professional designation? **095** 1 Yes 2 No
- Is the accountant connected* with the corporation? **097** 1 Yes 2 No

Note

If the accountant does not have a professional designation **or** is connected to the corporation, you do not have to complete Parts 2 and 3 of this schedule. However, you **do have** to complete Part 4, as applicable.

* A person connected with a corporation can be: (i) a shareholder of the corporation who owns more than 10% of the common shares; (ii) a director, an officer, or an employee of the corporation; or (iii) a person not dealing at arm's length with the corporation.

Part 2 – Type of involvement with the financial statements

- Choose the option that represents the highest level of involvement of the accountant: **198**
- Completed an auditor's report 1
- Completed a review engagement report 2
- Conducted a compilation engagement 3

Part 3 – Reservations

- If you selected option 1 or 2 under **Type of involvement with the financial statements** above, answer the following question:
- Has the accountant expressed a reservation? **099** 1 Yes 2 No

Part 4 – Other information

- If you have a professional designation and are not the accountant associated with the financial statements in Part 1 above, choose one of the following options: **110**
- Prepared the tax return (financial statements prepared by client) 1
- Prepared the tax return and the financial information contained therein (financial statements have not been prepared) 2
- Were notes to the financial statements prepared? **101** 1 Yes 2 No
- If **yes**, complete lines 104 to 107 below:
- Are subsequent events mentioned in the notes? **104** 1 Yes 2 No
- Is re-evaluation of asset information mentioned in the notes? **105** 1 Yes 2 No
- Is contingent liability information mentioned in the notes? **106** 1 Yes 2 No
- Is information regarding commitments mentioned in the notes? **107** 1 Yes 2 No
- Does the corporation have investments in joint venture(s) or partnership(s)? **108** 1 Yes 2 No

Part 4 – Other information (continued)

Impairment and fair value changes

In any of the following assets, was an amount recognized in net income or other comprehensive income (OCI) as a result of an impairment loss in the tax year, a reversal of an impairment loss recognized in a previous tax year, or a change in fair value during the tax year? **200** 1 Yes 2 No

If **yes**, enter the amount recognized:

	In net income Increase (decrease)	In OCI Increase (decrease)
Property, plant, and equipment	210	211
Intangible assets	215	216
Investment property	220	
Biological assets	225	
Financial instruments	230	231
Other	235	236

Financial instruments

Did the corporation derecognize any financial instrument(s) during the tax year (other than trade receivables)? **250** 1 Yes 2 No

Did the corporation apply hedge accounting during the tax year? **255** 1 Yes 2 No

Did the corporation discontinue hedge accounting during the tax year? **260** 1 Yes 2 No

Adjustments to opening equity

Was an amount included in the opening balance of retained earnings or equity, in order to correct an error, to recognize a change in accounting policy, or to adopt a new accounting standard in the current tax year? **265** 1 Yes 2 No

If **yes**, you have to maintain a separate reconciliation.

SCHEDULE 100

GENERAL INDEX OF FINANCIAL INFORMATION – GIF

Form identifier 100

Name of corporation	Business Number	Tax year-end Year Month Day
RDBASE SR&ED CASE STUDY		2015-12-31

Assets – lines 1000 to 2599

2599 _____ 0

Liabilities – lines 2600 to 3499

3499 _____ 0

Shareholder equity – lines 3500 to 3640

3600 _____ 100,000 **3620** _____ 100,000 **3640** _____ 100,000

Retained earnings – lines 3660 to 3849

3680 _____ 100,000 **3849** _____ 100,000

SCHEDULE 125

GENERAL INDEX OF FINANCIAL INFORMATION – GIF

Form identifier 125

Name of corporation RDBASE SR&ED CASE STUDY	Business Number	Tax year-end Year Month Day 2015-12-31
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Description

Sequence number **0003** 01

Revenue – lines 8000 to 8299

8000 100,000	8089 100,000	8299 100,000
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Cost of sales – lines 8300 to 8519

8519 100,000

Operating expenses – lines 8520 to 9369

9368 0	9369 100,000
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Extraordinary items and taxes – lines 9970 to 9999

9970 100,000	9999 100,000
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Net Income (Loss) for Income Tax Purposes

Schedule 1

Corporation's name RDBASE SR&ED CASE STUDY	Business Number	Tax year end Year Month Day 2015-12-31
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- The purpose of this schedule is to provide a reconciliation between the corporation's net income (loss) as reported on the financial statements and its net income (loss) for tax purposes. For more information, see the T2 *Corporation Income Tax Guide*.
- All legislative references are to the *Income Tax Act*.

Amount calculated on line 9999 from Schedule 125			100,000	A
Add:				
Scientific research expenditures deducted per financial statements	118	507,387		
	Subtotal of additions	507,387	507,387	
Other additions:				
Miscellaneous other additions:				
604				
	Total	294		
	Subtotal of other additions	199		
	Total (lines 101 to 199)	500	507,387	B
Amount A plus amount B			607,387	C
Deduct:				
SR&ED expenditures claimed in the year on line 460 from Form T661	411	437,504		
	Subtotal of deductions	437,504	437,504	
Other deductions:				
Miscellaneous other deductions:				
704				
	Total	394		
	Subtotal of other deductions	499		
	Total (lines 401 to 499)	510	437,504	D
Net income (loss) for income tax purposes (amount C minus amount D)			169,883	E
Enter amount E on line 300 of the T2 return.				

Tax Calculation Supplementary – Corporations

Corporation's name RDBASE SR&ED CASE STUDY	Business Number	Tax year-end Year Month Day 2015-12-31
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- Use this schedule if, during the tax year, the corporation:
 - had a permanent establishment in more than one jurisdiction (corporations that have no taxable income should only complete columns A, B and D in Part 1);
 - is claiming provincial or territorial tax credits or rebates (see Part 2); or
 - has to pay taxes, other than income tax, for Newfoundland and Labrador, or Ontario (see Part 2).
- Regulations mentioned in this schedule are from the *Income Tax Regulations*.
- For more information, see the *T2 Corporation – Income Tax Guide*.
- Enter the regulation number in field 100 of Part 1.

Part 1 – Allocation of taxable income

100		Enter the Regulation that applies (402 to 413).			
A Jurisdiction Tick yes if the corporation had a permanent establishment in the jurisdiction during the tax year. *	B Total salaries and wages paid in jurisdiction	C (B x taxable income) / G	D Gross revenue	E (D x taxable income) / H	F Allocation of taxable income (C + E) x 1/2** (where either G or H is nil, do not multiply by 1/2)
Newfoundland and Labrador 003 1 Yes <input type="checkbox"/>	103		143		
Newfoundland and Labrador Offshore 004 1 Yes <input type="checkbox"/>	104		144		
Prince Edward Island 005 1 Yes <input type="checkbox"/>	105		145		
Nova Scotia 007 1 Yes <input type="checkbox"/>	107		147		
Nova Scotia Offshore 008 1 Yes <input type="checkbox"/>	108		148		
New Brunswick 009 1 Yes <input type="checkbox"/>	109		149		
Quebec 011 1 Yes <input type="checkbox"/>	111		151		
Ontario 013 1 Yes <input type="checkbox"/>	113		153		
Manitoba 015 1 Yes <input type="checkbox"/>	115		155		
Saskatchewan 017 1 Yes <input type="checkbox"/>	117		157		
Alberta 019 1 Yes <input type="checkbox"/>	119		159		
British Columbia 021 1 Yes <input type="checkbox"/>	121		161		
Yukon 023 1 Yes <input type="checkbox"/>	123		163		
Northwest Territories 025 1 Yes <input type="checkbox"/>	125		165		
Nunavut 026 1 Yes <input type="checkbox"/>	126		166		
Outside Canada 027 1 Yes <input type="checkbox"/>	127		167		
Total		G	169	H	

* "Permanent establishment" is defined in Regulation 400(2).

** For corporations other than those described under Regulation 402, use the appropriate calculation described in the Regulations to allocate taxable income.

Notes:

1. After determining the allocation of taxable income, you have to calculate the corporation's provincial or territorial tax payable. For more information on how to calculate the tax for each province or territory, see the instructions for Schedule 5 in the *T2 Corporation – Income Tax Guide*.
2. If the corporation has provincial or territorial tax payable, complete Part 2.
3. Special rules for establishing a corporation's gross revenue and salaries and wages attributable to a jurisdiction are provided in cases where the corporation operates in a partnership and the partnership had permanent establishments in more than one jurisdiction. See Guide T4068, *Guide for the Partnership Information Return* and prescribed Form T5013 Sch 5, *Allocation of Salaries and Wages, and Gross Revenue for Multiple Jurisdictions*.

Part 2 – Ontario tax payable, tax credits, and rebates

Total taxable income	Income eligible for small business deduction	Provincial or territorial allocation of taxable income	Provincial or territorial tax payable before credits
169,883	169,883	169,883	7,645

Ontario basic income tax (from Schedule 500) **270** 19,537

Deduct: Ontario small business deduction (from Schedule 500) **402** 11,892

Subtotal 7,645 ▶ 7,645 A6

Add:

Ontario additional tax re Crown royalties (from Schedule 504) **274**

Ontario transitional tax debits (from Schedule 506) **276**

Recapture of Ontario research and development tax credit (from Schedule 508) **277**

Subtotal ▶ B6

Subtotal (amount A6 **plus** amount B6) 7,645 C6

Deduct:

Ontario resource tax credit (from Schedule 504) **404**

Ontario tax credit for manufacturing and processing (from Schedule 502) **406**

Ontario foreign tax credit (from Schedule 21) **408**

Ontario credit union tax reduction (from Schedule 500) **410**

Ontario political contributions tax credit (from Schedule 525) **415**

Subtotal ▶ D6

Subtotal (amount C6 **minus** amount D6) (if negative, enter "0") 7,645 E6

Deduct: Ontario research and development tax credit (from Schedule 508) **416** 7,645

Ontario corporate income tax payable before Ontario corporate minimum tax credit and Ontario community food program donation tax credit for farmers (amount E6 **minus** amount on line 416) (if negative, enter "0") F6

Deduct:

Ontario corporate minimum tax credit (from Schedule 510) **418**

Ontario community food program donation tax credit for farmers (from Schedule 2) **420**

Ontario corporate income tax payable (amount F6 **minus** amounts on line 418 and line 420) (if negative, enter "0") G6

Add:

Ontario corporate minimum tax (from Schedule 510) **278**

Ontario special additional tax on life insurance corporations (from Schedule 512) **280**

Subtotal ▶ H6

Total Ontario tax payable before refundable credits (amount G6 **plus** amount H6) I6

Deduct:

Ontario qualifying environmental trust tax credit **450**

Ontario co-operative education tax credit (from Schedule 550) **452**

Ontario apprenticeship training tax credit (from Schedule 552) **454**

Ontario computer animation and special effects tax credit (from Schedule 554) **456**

Ontario film and television tax credit (from Schedule 556) **458**

Ontario production services tax credit (from Schedule 558) **460**

Ontario interactive digital media tax credit (from Schedule 560) **462**

Ontario sound recording tax credit (from Schedule 562) **464**

Ontario book publishing tax credit (from Schedule 564) **466**

Ontario innovation tax credit (from Schedule 566) **468** 65,603

Ontario business-research institute tax credit (from Schedule 568) **470**

Subtotal 65,603 ▶ 65,603 J6

Net Ontario tax payable or refundable credit (amount I6 **minus** amount J6) **290** -65,603 K6

(if a credit, enter a negative amount) Include this amount on line 255.

Summary

Enter the total net tax payable or refundable credits for all provinces and territories on line 255.

Net provincial and territorial tax payable or refundable credits **255** -65,603

If the amount on line 255 is positive, enter the net provincial and territorial tax payable on line 760 of the T2 return.

If the amount on line 255 is negative, enter the net provincial and territorial refundable tax credits on line 812 of the T2 return.

Investment Tax Credit – Corporations

General information

- Use this schedule:
 - to calculate an investment tax credit (ITC) earned during the tax year;
 - to claim a deduction against Part I tax payable;
 - to claim a refund of credit earned during the current tax year;
 - to claim a carryforward of credit from previous tax years;
 - to transfer a credit following an amalgamation or wind-up of a subsidiary, as described under subsections 87(1) and 88(1) of the *Income Tax Act*;
 - to request a credit carryback to one or more previous years; or
 - if you are subject to a recapture of ITC.
- The ITC is eligible for a three-year carryback (if not deductible in the year earned). It is also eligible for a twenty-year carryforward.
- All legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.
- Investments or expenditures, described in subsection 127(9) of the Act and Part XLVI of the Regulations, that earn an ITC are:
 - qualified property and qualified resource property (Parts 4 to 7 of this schedule);
 - expenditures that are part of the SR&ED qualified expenditure pool (Parts 8 to 17). File Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*;
 - pre-production mining expenditures (Parts 18 to 20);
 - apprenticeship job creation expenditures (Parts 21 to 23); and
 - child care spaces expenditures (Parts 24 to 28).
- Include a completed copy of this schedule with the *T2 Corporation Income Tax Return*. If you need more space, attach additional schedules.
- For more information on ITCs, see "Investment Tax Credit" in Guide T4012, *T2 Corporation – Income Tax Guide*, Information Circular IC78-4, *Investment Tax Credit Rates*, and its related Special Release.
- For more information on SR&ED, see T4088, *Guide to Form T661 – Scientific Research and Experimental Development (SR&ED) Expenditures Claim*. Also see the *Eligibility of Work for SR&ED Investment Tax Credits Policy* at www.cra.gc.ca/txcrdt/sred-rsde/clmng/lgblywrkfrsrdnvtmmttxcrdts-eng.html.

Detailed information

- 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 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.
- An ITC deducted or refunded in a tax 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 tax year. It also reduces the undepreciated capital cost of that class in the next tax year. An ITC for SR&ED deducted or refunded in a tax 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 tax year. An ITC from pre-production mining expenditures deducted in a tax year reduces the balance in the pool of deductible cumulative Canadian exploration expenses in the next tax year.
- Property acquired has to be **available for use** before a claim for an ITC can be made. See subsections 127(11.2) and 248(19) for more information.
- 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 tax year in which it incurred the expenditures or capital costs.
- Expenditures for pre-production mining, apprenticeship, or child care space for an ITC must be identified by the claimant on Schedule 31 no later than 12 months after the claimant's income tax return is due for the tax year in which it incurred the expenditures or capital costs.
- 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 is not applicable for the agreement to share any income or loss. Special rules apply to specified and limited partners. For more information, see Guide T4068, *Guide for the Partnership Information Return*.
- For SR&ED expenditures, the expression **in Canada** includes the "exclusive economic zone" (as defined in the *Oceans Act* to generally consist of an area that is within 200 nautical miles from the Canadian coastline), including the airspace, seabed and subsoil for that zone.
- For the purpose of this schedule, the expression **Atlantic Canada** includes the Gaspé Peninsula and the provinces of Newfoundland and Labrador, Prince Edward Island, Nova Scotia, and New Brunswick, as well as their respective offshore regions (prescribed in Regulation 4609).
- For the purpose of this schedule, **qualified property** means property in Atlantic Canada that is used primarily for manufacturing and processing, farming or fishing, logging, storing grain, or harvesting peat. Property in Atlantic Canada that is used primarily for oil and gas, and mining activities is considered qualified property only if acquired by the taxpayer **before** March 29, 2012. Qualified property includes new buildings and new machinery and equipment (prescribed in Regulation 4600), and if acquired by the taxpayer **after** March 28, 2012, new energy generation and conservation property (prescribed in Regulation 4600). Qualified property can also be used primarily to produce or process electrical energy or steam in a prescribed area (as described in Regulation 4610). See the definition of **qualified property** in subsection 127(9) for more information.

Detailed information (continued)

- For the purpose of this schedule, **qualified resource property** means property in Atlantic Canada that is used primarily for oil and gas, and mining activities, if acquired by the taxpayer **after** March 28, 2012, and **before** January 1, 2016. Qualified resource property includes new buildings and new machinery and equipment (prescribed in Regulation 4600). See the definition of **qualified resource property** in subsection 127(9) for more information.
- For the purpose of this schedule, **pre-production mining exploration expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to determine the existence, location, extent, or quality of certain mineral resources in Canada, excluding expenses incurred in the exploration of an oil or gas well. See subparagraph (a)(i) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.
- For the purpose of this schedule, **pre-production mining development expenditures** are pre-production mining expenditures incurred **after** March 28, 2012, by the taxpayer to bring a new mineral resource mine in Canada into production, excluding expenses in the development of a bituminous sands deposit or an oil shale deposit. See subparagraph (a)(ii) of the definition of **pre-production mining expenditure** in subsection 127(9) for more information.

Part 1 – Investments, expenditures, and percentages

	Specified percentage
Investments	
Qualified property acquired primarily for use in Atlantic Canada	10 %
Qualified resource property acquired primarily for use in Atlantic Canada and acquired:	
– after March 28, 2012, and before 2014	10 %
– after 2013 and before 2016	5 %
– after 2015*	0 %
Expenditures	
If you are a Canadian-controlled private corporation (CCPC), this percentage may apply to the portion that you claim of the SR&ED qualified expenditure pool that does not exceed your expenditure limit (see Part 10)	35 %
Note: If your current year's qualified expenditures are more than the corporation's expenditure limit (see Part 10), the excess is eligible for an ITC calculated at the 20 % rate**.	
If you are a corporation that is not a CCPC and have incurred qualified expenditures for SR&ED in any area in Canada:	
– before 2014**	20 %
– after 2013**	15 %
If you are a taxable Canadian corporation that incurred pre-production mining expenditures before March 29, 2012	10 %
If you are a taxable Canadian corporation that incurred pre-production mining exploration expenditures***:	
– after March 28, 2012, and before 2013	10 %
– in 2013	5 %
– after 2013***	0 %
If you are a taxable Canadian corporation that incurred pre-production mining development expenditures****:	
– after March 28, 2012, and before 2014****	10 %
– in 2014	7 %
– in 2015	4 %
– after 2015****	0 %
If you paid salary and wages to apprentices in the first 24 months of their apprenticeship contract for employment	10 %
If you incurred eligible expenditures after March 18, 2007, for the creation of licensed child care spaces for the children of your employees and, potentially, for other children	25 %
* A transitional relief rate of 10% may apply to property acquired after 2013 and before 2017, if the property is acquired under a written agreement entered into before March 29, 2012, or the property is acquired as part of a phase of a project where the construction or the engineering and design work for the construction started before March 29, 2012. See paragraph (a.1) of the definition of specified percentage in subsection 127(9) for more information.	
** The reduction of the rate from 20% to 15% applies to 2014 and later tax years, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013.	
*** Pre-production mining exploration expenditures are described in subparagraph (a)(i) of the definition of pre-production mining expenditure in subsection 127(9).	
**** A transitional relief rate of 10% may apply to expenditures incurred after 2013 and before 2016, if the expenditure is incurred under a written agreement entered into before March 29, 2012, or the expenditure is incurred as part of the development of a new mine where the construction or the engineering and design work for the construction of the new mine started before March 29, 2012. See subparagraph (k)(ii) of the definition of specified percentage in subsection 127(9) for more information. Pre-production mining development expenditures are described in subparagraph (a)(ii) of the definition of pre-production mining expenditure in subsection 127(9).	

Corporation's name RDBASE SR&ED CASE STUDY	Business number	Tax year-end Year Month Day 2015-12-31
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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 and its taxable income (before any loss carrybacks) for its previous tax year cannot be more than its **qualifying income limit** for the particular tax year. If the corporation is associated with any other corporations during the tax year, the total of the taxable incomes of the corporation and the associated corporations (before any loss carrybacks), for their last tax year ending in the previous calendar year, cannot be more than their qualifying income limit for the particular tax year.

Note: A CCPC calculating a refundable ITC is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of both corporations; and
- one of the corporations has at least one shareholder who is not common to both corporations.

If you are a **qualifying** corporation, you will earn a **100%** refund on your share of any ITCs 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 ITCs 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. 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:

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

* Capital expenditures incurred after December 31, 2013, including lease payments for property that would have been a capital expenditure if purchased directly, are **not** qualified SR&ED expenditures and are **not** eligible for an ITC on SR&ED expenditures.

Part 3 – Corporations in the farming industry

Complete this area if the corporation is making SR&ED contributions.

Is the corporation claiming a contribution in the current year to an agricultural organization whose goal is to finance SR&ED work (for example, check-off dues)? **102** 1 Yes 2 No

Contributions to agricultural organizations for SR&ED* **103** _____

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 Guide RC4088, *General Index of Financial Information (GIFI)*. Enter contributions on line 350 of Part 8.

* Enter only contributions not already included on Form T661.

Include 80% of the contributions made **after** 2012; for contributions made **before** 2013, include all of the contributions.

Qualified Property and Qualified Resource Property

Part 4 – Eligible investments for qualified property and qualified resource property from the current tax year

Capital cost allowance class number 105	Description of investment 110	Date available for use 115	Location used (province or territory) 120	Amount of investment 125
Total of investments for qualified property and qualified resource property				

A1

Part 5 – Current-year credit and account balances – ITC from investments in qualified property and qualified resource property

ITC at the end of the previous tax year B1

Deduct:

Credit deemed as a remittance of co-op corporations **210**

Credit expired **215**

Subtotal (line 210 plus line 215) **220** C1

ITC at the beginning of the tax year (amount B1 minus amount C1) **220**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **230**

ITC from repayment of assistance **235**

Qualified property; and qualified resource property acquired after March 28, 2012, and before January 1, 2014* (applicable part from amount A1 in Part 4) x 10 % = **240**

Qualified resource property acquired after December 31, 2013, and before January 1, 2016 (applicable part from amount A1 in Part 4) x 5 % = **242**

Credit allocated from a partnership **250**

Subtotal (total of lines 230 to 250) **250** D1

Total credit available (line 220 plus amount D1) **250** E1

Deduct:

Credit deducted from Part I tax (enter at amount D8 in Part 30) **260**

Credit carried back to the previous year(s) (from amount H1 in Part 6) a

Credit transferred to offset Part VII tax liability **280**

Subtotal (total of line 260, amount a, and line 280) **280** F1

Credit balance before refund (amount E1 minus amount F1) **280** G1

Deduct:

Refund of credit claimed on investments from qualified property and qualified resource property (from Part 7) **310**

ITC closing balance of investments from qualified property and qualified resource property (amount G1 minus line 310) **320**

* Include investments acquired after 2013 and before 2017 that are eligible for transitional relief.

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

	Year	Month	Day		
1st previous tax year				..... Credit to be applied	901
2nd previous tax year				..... Credit to be applied	902
3rd previous tax year				..... Credit to be applied	903
Total of lines 901 to 903					
(enter amount H1 on line a in Part 5)					903 H1

Part 7 – Refund of ITC for qualifying corporations on investments from qualified property and qualified resource property

Current-year ITCs (total of lines 240, 242, and 250 in Part 5) I1

Credit balance before refund (from amount G1 in Part 5) J1

Refund (40 % of amount I1 or J1, whichever is less) K1

Enter amount K1 or a lesser amount on line 310 in Part 5 (also enter it on line 780 of the T2 return if the corporation does not claim an SR&ED ITC refund).

SR&ED

Part 8 – Qualified SR&ED expenditures

Current expenditures (from line 557 on Form T661)	.....	<u>563,856</u>	
Contributions to agricultural organizations for SR&ED	.....	
Deduct:			
Government assistance, non-government assistance, or contract payment	.....	
Contributions to agricultural organizations for SR&ED for the federal ITC (this amount is updated to line 103 of Part 3. For more details, consult the Help.)*	.....	
		+	
Current expenditures (line 557 on Form T661 plus line 103 in Part 3)*	.....	<u>563,856</u>	350 <u>563,856</u>
Capital expenditures incurred before 2014 (from line 558 on Form T661)**	.....		**360
Repayments made in the year (from line 560 on Form T661)	.....		370
Qualified SR&ED expenditures (total of lines 350 to 370)	.....		380 <u>563,856</u>

* If you are claiming only contributions made to agricultural organizations for SR&ED, line 350 should equal line 103 in Part 3. Do not file Form T661.
** Capital expenditures incurred after December 31, 2013, are not qualified SR&ED expenditures. Capital cost allowance can be claimed for depreciable property acquired for use in SR&ED after 2013.

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

Part 9 only applies if the corporation is a CCPC.

Note: A CCPC that calculates an SR&ED expenditure limit is considered to be associated with another corporation if it meets any of the conditions in subsection 256(1), except where:

- one corporation is associated with another corporation solely because one or more persons own shares of the capital stock of the corporation; and
- one of the corporations has at least one shareholder who is not common to both corporations.

Is the corporation associated with another CCPC for the purpose of calculating the SR&ED expenditure limit? **385** 1 Yes 2 No

Complete lines 390 and 398 if you answered **no** to the question on line 385 above or if the corporation is not associated with any other corporations (the amounts for associated corporations will be determined on Schedule 49).

Enter your taxable income for the previous tax year* (prior to any loss carry-backs applied) **390** _____

Enter your taxable capital employed in Canada for the previous tax year minus \$10 million. If this amount is nil or negative, enter "0".
If this amount is over \$40 million, enter \$40 million **398** _____

* If either of the tax years referred to on line 390 is less than 51 weeks, **multiply** the taxable income by the following result: 365 **divided** by the number of days in these tax years.

Part 10 – SR&ED expenditure limit for a CCPC

For a stand-alone corporation: \$ 8,000,000

Deduct:

Taxable income for the previous tax year (from line 390 in Part 9) or \$500,000, whichever is more 500,000 × 10 = 5,000,000 A2

Excess (\$8,000,000 **minus** amount A2; if negative, enter "0") 3,000,000 B2

\$ 40,000,000 **minus** line 398 in Part 9 40,000,000 a

Amount a **divided** by \$ 40,000,000 1 C2

Expenditure limit for the stand-alone corporation (amount B2 **multiplied** by amount C2)* 3,000,000 D2

For an associated corporation:

If associated, the allocation of the SR&ED expenditure limit as provided on Schedule 49* **400** E2

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

Amount D2 or E2 _____ × $\frac{\text{Number of days in the tax year}}{365}$ = F2

Your SR&ED expenditure limit for the year (enter the amount from amount D2, E2, or F2, whichever applies) **410** 3,000,000

* Amount D2 or E2 cannot be more than \$3,000,000.

Part 11 – Investment tax credits on SR&ED expenditures

Current expenditures (from line 350 in Part 8) or the expenditure limit (from line 410 in Part 10), whichever is less*	420	563,856	x	35 %	=	197,350	G2
Line 350 minus line 410 (if negative, enter "0")	430		x	15 ***	=		H2
Line 410 minus line 350 (if negative, enter "0")		2,436,144	b				
Capital expenditures (from line 360 in Part 8) or amount b above, whichever is less*	440		x	35 %	=		I2
Line 360 minus amount b above (if negative, enter "0")	450		x	15 ***	=		J2
Repayments (amount from line 370 in Part 8)							
If a corporation makes a repayment of any government or 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.***	460		x	35 %	=	c	
	480		x	15 %	=	d	
Subtotal (amount c plus amount d)							K2
Current-year SR&ED ITC (total of amounts G2 to K2; enter on line 540 in Part 12)						197,350	L2

* For corporations that are not CCPCs, enter "0" for amounts G2 and I2.

** For tax years that end after 2013, the general SR&ED ITC rate is reduced from 20% to 15%, except that, for 2014 tax years that start before 2014, the reduction is pro-rated based on the number of days in the tax year that are after 2013. If your rate is different than 15%, enter the amounts at lines 430 or 450 and use the appropriate rate instead of 15%.

*** The ITC on the repayment (the credit) is calculated using the ITC rate that you used to determine your ITC at the time your qualified expenditures for ITC purposes were reduced because of the government or non-government assistance, or contract payments. Enter the amount of the repayment on the line that corresponds to the appropriate rate. If the rate is different than 20% or 35%, enter the amount at line 480 and use the appropriate rate instead of 20%.

Part 12 – Current-year credit and account balances – ITC from SR&ED expenditures

ITC at the end of the previous tax year							M2	
Deduct:								
Credit deemed as a remittance of co-op corporations	510							
Credit expired	515							
Subtotal (line 510 plus line 515)							N2	
ITC at the beginning of the tax year (amount M2 minus amount N2)						520		
Add:								
Credit transferred on amalgamation or wind-up of subsidiary	530							
Total current-year credit (from amount L2 in Part 11)	540	197,350						
Credit allocated from a partnership	550							
Subtotal (total of lines 530 to 550)							197,350	O2
Total credit available (line 520 plus amount O2)						197,350	P2	
Deduct:								
Credit deducted from Part I tax (enter at amount E8 in Part 30)	560	18,688						
Credit carried back to the previous year(s) (from amount S2 in Part 13)						e		
Credit transferred to offset Part VII tax liability	580							
Subtotal (total of line 560, amount e, and line 580)							18,688	Q2
Credit balance before refund (amount P2 minus amount Q2)						178,662	R2	
Deduct:								
Refund of credit claimed on SR&ED expenditures (from Part 14 or 15, whichever applies)	610	178,662						
ITC closing balance on SR&ED (amount R2 minus line 610)	620							

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

Year	Month	Day

1st previous tax year Credit to be applied **911** _____

2nd previous tax year Credit to be applied **912** _____

3rd previous tax year Credit to be applied **913** _____

Total of lines 911 to 913 _____ S2
(enter amount S2 at line e in Part 12) _____

Part 14 – Refund of ITC for qualifying corporations – SR&ED

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

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

Current-year ITC (lines 540 **plus** 550 in Part 12 **minus** amount K2 in Part 11) 197,350 f

Refundable credits (amount f or amount R2 in Part 12, whichever is less)* 178,662 T2

Deduct:

Amount T2 or amount G2 in Part 11, whichever is less 178,662 U2

Net amount (amount T2 **minus** amount U2; if negative, enter "0") V2

Amount V2 **multiplied by** 40 % W2

Add:

Amount U2 178,662 X2

Refund of ITC (amount W2 **plus** amount X2 – enter this, or a lesser amount, on line 610 in Part 12) 178,662 Y2

Enter the total of line 310 in Part 5 and line 610 in 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 must be multiplied by 40%. Claim this, or a lesser amount, as your refund of ITC for amount Y2.

Part 15 – 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 on line 101 in Part 2.

Credit balance before refund (from amount R2 in Part 12) _____ Z2

Deduct:

Amount Z2 or amount G2 in Part 11, whichever is less _____ AA2

Net amount (amount Z2 **minus** amount AA2; if negative, enter "0") _____ BB2

Amount BB2 or amount I2 in Part 11, whichever is less _____ CC2

Amount CC2 **multiplied by** 40 % _____ DD2

Add :

Amount AA2 _____ EE2

Refund of ITC (amount DD2 **plus** amount EE2) _____ FF2

Enter FF2, or a lesser amount, on line 610 in Part 12 and also on line 780 of the T2 return.

Recapture – SR&ED

Part 16 – 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 20 previous tax years, if the credit was earned in a tax year ending after 1997 and did not expire before 2008;
- you claimed the cost of the property as a qualified expenditure for SR&ED on Form T661;
- the cost of the property was included in calculating 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 that 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 tax 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
Subtotal (enter amount A3 on line C3 in Part 17)		A3

Calculation 2 – Only if you transferred all or a part of the qualified expenditure to another person under an agreement described in subsection 127(13); otherwise, enter nil on line B3.

A	B	C	D	E	F
Rate that the transferee used in determining its ITC for qualified expenditures under a subsection 127(13) agreement 720	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	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	Amount determined by the formula $(A \times B) - C$	ITC earned by the transferee for the qualified expenditures that were transferred 750	Amount from column D or E, whichever is less
Subtotal (total of column F) (enter amount B3 on line D3 in Part 17)					B3

Part 16 – Recapture of ITC for corporations and corporate partnerships – SR&ED (continued)

Calculation 3

As a member of the partnership, you will report your share of the SR&ED ITC of the partnership after the SR&ED 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. However, if the partnership does not have enough 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 760.

Corporate partner's share of the excess of SR&ED ITC (amount to be reported on line E3 in Part 17) **760**

Part 17 – Total recapture of SR&ED investment tax credit

Recaptured ITC from calculation 1, amount A3 in Part 16	.....	_____	C3
Recaptured ITC from calculation 2, amount B3 in Part 16	.....	_____	D3
Recaptured ITC from calculation 3, line 760 in Part 16	.....	_____	E3
Total recapture of SR&ED investment tax credit (total of amounts C3 to E3)	.....	=====	F3

Enter amount F3 on line A8 in Part 29.

Pre-Production Mining

Part 18 – 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 tax year.

For each of the minerals reported in column 800, identify each project (in column 805), mineral title (in column 806), and mining division (in column 807) where title is registered. If there is no mineral title, identify only the project and mining division.

List of minerals 800	Project name 805
Mineral title 806	Mining division 807

Pre-production mining expenditures*

Exploration:

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

Prospecting	810
Geological, geophysical, or geochemical surveys	811
Drilling by rotary, diamond, percussion, or other methods	812
Trenching, digging test pits, and preliminary sampling	813

Development:

Pre-production mining expenditures incurred in the tax year 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
Sinking a mine shaft, constructing an adit, or other underground entry	821

Other pre-production mining expenditures incurred in the tax year:

Description 825	Amount 826
Total of column 826	▶ _____ A4

Total pre-production mining expenditures (total of lines 810 to 821 and amount A4) **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 on line 830 above **832**

Excess (line 830 minus line 832) (if negative, enter "0") B4

Add:

Repayments of government and non-government assistance **835**

Pre-production mining expenditures (amount B4 plus line 835) C4

* A pre-production mining expenditure is defined under subsection 127(9).

Part 19 – Current-year credit and account balances – ITC from pre-production mining expenditures

ITC at the end of the previous tax year D4

Deduct:

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

Credit expired **845** _____

Subtotal (line 841 plus line 845) **850** _____ E4

ITC at the beginning of the tax year (amount D4 minus amount E4) **850** _____

Add:

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

Pre-production mining expenditures*
incurred before January 1, 2013
(applicable part from amount C4 in Part 18) . . . **870** _____ x 10 % = _____ a

Pre-production mining exploration
expenditures incurred in 2013
(applicable part from amount C4 in Part 18) . . . **872** _____ x 5 % = _____ b

Pre-production mining development
expenditures incurred in 2014
(applicable part from amount C4 in Part 18) . . . **874** _____ x 7 % = _____ c

Pre-production mining development
expenditures incurred in 2015
(applicable part from amount C4 in Part 18) . . . **876** _____ x 4 % = _____ d

Current year credit (total of amounts a to d) **880** _____ F4

Total credit available (total of lines 850, 860, and amount F4) G4

Deduct:

Credit deducted from Part I tax (enter at amount F8 in Part 30) **885** _____

Credit carried back to the previous year(s) (from amount I4 in Part 20) e

Subtotal (line 885 plus amount e) H4

ITC closing balance from pre-production mining expenditures (amount G4 minus amount H4) **890** _____

* Also include pre-production mining development expenditures incurred before 2014 and pre-production mining development expenditures incurred after 2013 and before 2016 that are eligible for transitional relief.

Part 20 – Request for carryback of credit from pre-production mining expenditures

	Year	Month	Day		
1st previous tax year				..... Credit to be applied	921 _____
2nd previous tax year				..... Credit to be applied	922 _____
3rd previous tax year				..... Credit to be applied	923 _____
Total of lines 921 to 923					_____
(enter amount I4 on line e in Part 19)					_____ I4

Apprenticeship Job Creation

Part 21 – Total current-year credit – ITC from apprenticeship job creation expenditures

If you are a related person as defined under subsection 251(2), has it been agreed in writing that you are the only employer who will be claiming the apprenticeship job creation tax credit for this tax year for each apprentice whose contract number (or social insurance number or name) appears below? (If not, you cannot claim the tax credit.)

..... **611** 1 Yes 2 No

For each apprentice in their first 24 months of the apprenticeship, enter the apprenticeship contract number registered with Canada, or a province or territory, under an apprenticeship program designed to certify or license individuals in the trade. For the province, the trade must be a Red Seal trade. If there is no contract number, enter the social insurance number (SIN) or the name of the eligible apprentice.

A Contract number (SIN or name of apprentice)	B Name of eligible trade	C Eligible salary and wages*	D Column C x 10 %	E Lesser of column D or \$ 2,000
601	602	603	604	605

Total current-year credit (total of column E)
(enter amount A5 on line 640 in Part 22) A5

* Other than qualified expenditure incurred, and net of any other government or non-government assistance received or to be received.

Part 22 – Current-year credit and account balances – ITC from apprenticeship job creation expenditures

ITC at the end of the previous tax year B5

Deduct:

Credit deemed as a remittance of co-op corporations **612**

Credit expired after 20 tax years **615**

Subtotal (line 612 plus line 615) C5

ITC at the beginning of the tax year (amount B5 minus amount C5) **625**

Add:

Credit transferred on amalgamation or wind-up of subsidiary **630**

ITC from repayment of assistance **635**

Total current-year credit (from amount A5 in Part 21) **640**

Credit allocated from a partnership **655**

Subtotal (total of lines 630 to 655) D5

Total credit available (line 625 plus amount D5) E5

Deduct:

Credit deducted from Part I tax (enter on line G8 in Part 30) **660**

Credit carried back to the previous year(s) (from amount G5 in Part 23) a

Subtotal (line 660 plus amount a) F5

ITC closing balance from apprenticeship job creation expenditures (amount E5 minus amount F5) **690**

Part 23 – Request for carryback of credit from apprenticeship job creation expenditures

	Year	Month	Day	
1st previous tax year				..... Credit to be applied 931
2nd previous tax year				..... Credit to be applied 932
3rd previous tax year				..... Credit to be applied 933
				Total of lines 931 to 933 (enter amount G5 on line a in Part 22) G5

Child Care Spaces

Part 24 – Eligible child care spaces expenditures

Enter the eligible expenditures that the corporation incurred to create licensed child care spaces for the children of the employees and, potentially, for other children. The corporation cannot be carrying on a child care services business. The eligible expenditures include:

- the cost of depreciable property (other than specified property); and
- the specified child care start-up expenditures;

acquired or incurred only to create new child care spaces at a licensed child care facility.

Cost of depreciable property from the current tax year

Capital cost allowance class number	Description of investment	Date available for use	Amount of investment
665	675	685	695
1.			
Total cost of depreciable property from the current tax year (total of column 695)			715

Add:

Specified child care start-up expenditures from the current tax year	705	
Total gross eligible expenditures for child care spaces (line 715 plus line 705)		A6

Deduct:

Total of all assistance (including 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 in amount A6	725	
Excess (amount A6 minus line 725) (if negative, enter "0")		B6

Add:

Repayments by the corporation of government and non-government assistance	735	
Total eligible expenditures for child care spaces (amount B6 plus line 735)	745	

Part 25 – Current-year credit – ITC from child care spaces expenditures

The credit is equal to 25% of eligible child care spaces expenditures incurred to a maximum of \$10,000 per child care space created in a licensed child care facility.

Eligible expenditures (from line 745 in Part 24)	x	25 %	=		
Number of child care spaces				x \$	10,000 =
	755				D6
ITC from child care spaces expenditures (amount C6 or D6, whichever is less)					E6

Part 26 – Current-year credit and account balances – ITC from child care spaces expenditures

ITC at the end of the previous tax year		F6
Deduct:		
Credit deemed as a remittance of co-op corporations	765	
Credit expired after 20 tax years	770	
Subtotal (line 765 plus line 770)	775	G6
ITC at the beginning of the tax year (amount F6 minus amount G6)		
Add:		
Credit transferred on amalgamation or wind-up of subsidiary	777	
Total current-year credit (from amount E6 in Part 25)	780	
Credit allocated from a partnership	782	
Subtotal (total of lines 777 to 782)	785	H6
Total credit available (line 775 plus amount H6)		I6
Deduct:		
Credit deducted from Part I tax (enter on line H8 in Part 30)	785	
Credit carried back to the previous year(s) (from amount K6 in Part 27)		a
Subtotal (line 785 plus amount a)		J6
ITC closing balance from child care spaces expenditures (amount I6 minus amount J6)	790	

Part 27 – Request for carryback of credit from child care space expenditures

	Year	Month	Day			
1st previous tax year	2014	12	31	..... Credit to be applied	941	
2nd previous tax year	2014	06	30	..... Credit to be applied	942	
3rd previous tax year	2013	06	30	..... Credit to be applied	943	
Total of lines 941 to 943						K6
(enter amount K6 on line a in Part 26)						

Recapture – Child Care Spaces

Part 28 – Recapture of ITC for corporations and corporate partnerships – Child care spaces

The ITC will be recovered against the taxpayer's tax otherwise payable under Part I of the Act if, at any time within 60 months of the day on which the taxpayer acquired the property:

- the new child care space is no longer available; or
- property that was an eligible expenditure for the child care space is:
 - disposed of or leased to a lessee; or
 - converted to another use.

If the property disposed of is a child care space, the amount that can reasonably be considered to have been included in the original ITC (paragraph 127(27.12)(a)) **792**

In the case of eligible expenditures (paragraph 127(27.12)(b)), the lesser of:

The amount that can reasonably be considered to have been included in the original ITC **795**

25% of either the proceeds of disposition (if sold in an arm's length transaction) or the fair market value (in any other case) of the property **797**

Amount from line 795 or line 797, whichever is less **A7**

Corporate partnerships

As a member of the partnership, you will report your share of the child care spaces ITC of the partnership after the child care spaces ITC has been reduced by the amount of the recapture. If this amount is a positive amount, you will report it on line 782 in Part 26. However, if the partnership does not have enough 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 799 below.

Corporate partner's share of the excess of ITC **799**

Total recapture of child care spaces investment tax credit (total of line 792, amount A7, and line 799) **B7**

Enter amount B7 on line B8 in Part 29.

Summary of Investment Tax Credits

Part 29 – Total recapture of investment tax credit

Recaptured SR&ED ITC (from amount F3 in Part 17) **A8**

Recaptured child care spaces ITC (from amount B7 in Part 28) **B8**

Total recapture of investment tax credit (amount A8 plus amount B8) **C8**

Enter amount C8 on line 602 of the T2 return.

Part 30 – Total ITC deducted from Part I tax

ITC from investments in qualified property deducted from Part I tax (from line 260 in Part 5) **D8**

ITC from SR&ED expenditures deducted from Part I tax (from line 560 in Part 12) **18,688** **E8**

ITC from pre-production mining expenditures deducted from Part I tax (from line 885 in Part 19) **F8**

ITC from apprenticeship job creation expenditures deducted from Part I tax (from line 660 in Part 22) **G8**

ITC from child care space expenditures deducted from Part I tax (from line 785 in Part 26) **H8**

Total ITC deducted from Part I tax (total of amounts D8 to H8) **18,688** **I8**

Enter amount I8 on line 652 of the T2 return.

Summary of Investment Tax Credit Carryovers

Continuity of investment tax credit carryovers

CCA class number	99	Cur. or cap. R&D for ITC			
Current year					
	Addition current year (A)	Applied current year (B)	Claimed as a refund (C)	Carried back (D)	ITC end of year (A-B-C-D)
	197,350	18,688	178,662		
Prior years					
Taxation year		ITC beginning of year (E)	Adjustments (F)	Applied current year (G)	ITC end of year (E-F-G)
2014-12-31					
2014-06-30					
2013-06-30					
2012-06-30					
2011-06-30					
2010-06-30					
2009-06-30					
2008-06-30					
2007-06-30					
2006-06-30					*
2005-06-30					
2004-06-30					
2003-06-30					
2002-06-30					
2001-06-30					
2000-06-30					
1999-06-30					
1998-06-30					
1997-06-30					
1996-06-30					*
	Total				
B+C+D+G				Total ITC utilized	197,350

* The **ITC end of year** includes the amount of ITC expired from the 10th preceding year if it is before January 1, 1998, or the amount of ITC expired from the 20th preceding year if it is after December 31, 1997. Note that this credit expires at the end of the tax year and any expired credit will be posted to line 215, 515, 615, 770 or 845, as applicable, in Schedule 31 the following year.

Ontario Corporation Tax Calculation

Corporation's name RDBASE SR&ED CASE STUDY	Business number	Tax year-end Year Month Day 2015-12-31
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- Use this schedule if the corporation had a permanent establishment (as defined in section 400 of the federal *Income Tax Regulations*) in Ontario at any time in the tax year and had Ontario taxable income in the year.
- All legislative references are to the federal *Income Tax Act* and *Income Tax Regulations*.
- This schedule is a worksheet only. You do not have to file it with your *T2 Corporation Income Tax Return*.

Part 1 – Ontario basic rate of tax for the year

Ontario basic rate of tax for the year	<u>11.5 %</u> A
--	-----------------

Part 2 – Calculation of Ontario basic income tax

Ontario taxable income *	<u>169,883</u> B
Ontario basic income tax: amount B multiplied by Ontario basic rate of tax for the year (rate A from Part 1)	<u>19,537</u> C

If the corporation has a permanent establishment in more than one jurisdiction, or is claiming an Ontario tax credit in addition to Ontario basic income tax, or has Ontario corporate minimum tax or Ontario special additional tax on life insurance corporations payable, enter amount C on line 270 of Schedule 5, *Tax Calculation Supplementary – Corporations*. Otherwise, enter it on line 760 of the T2 return.

* If the corporation has a permanent establishment only in Ontario, enter the amount from line 360 or line Z, whichever applies, of the T2 return. Otherwise, enter the taxable income allocated to Ontario from column F in Part 1 of Schedule 5.

Part 3 – Ontario small business deduction (OSBD)

Complete this part if the corporation claimed the federal small business deduction under subsection 125(1) or would have claimed it if subsection 125(5.1) had not been applicable in the tax year.

Income from active business carried on in Canada (amount from line 400 of the T2 return)	169,883	1
Federal taxable income, less adjustment for foreign tax credit (amount from line 405 of the T2 return)	169,883	2
Federal business limit before the application of subsection 125(5.1) (amount from line 410 of the T2 return)	500,000	3

Ontario business limit reduction:

Amount from line 3 500,000 a

Deduct:

Amount from line E of the T2 return x $\frac{\text{Number of days in the tax year after May 1, 2014}}{\text{Number of days in the tax year}} = \frac{365}{365} = \dots \dots \dots$ b

Reduced Ontario business limit (amount a minus amount b) (if negative, enter "0") 500,000 ► 500,000 4

Enter the least of amounts 1, 2, 3, and 4 169,883 D

Ontario domestic factor (ODF): $\frac{\text{Ontario taxable income}^*}{\text{Taxable income earned in all provinces and territories}^{**}} = \frac{169,883.00}{169,883} = \dots \dots \dots$ 1.00000 E

Amount D x ODF (line E) 169,883 c

Ontario taxable income (amount B from Part 2) 169,883 d

Ontario small business income (lesser of amount c and amount d) 169,883 F

OSBD rate for the year 7% G

Ontario small business deduction: amount F multiplied by rate G 11,892 H

Enter amount H on line 402 of Schedule 5.

* Enter amount B from Part 2.

** Includes the offshore jurisdictions for Nova Scotia and Newfoundland and Labrador.

Part 4 – Ontario adjusted small business income

Complete this part if the corporation was a Canadian-controlled private corporation throughout the tax year and is claiming the Ontario tax credit for manufacturing and processing or the Ontario credit union tax reduction.

Ontario adjusted small business income (lesser of amount D and amount d from Part 3) 169,883 I

Enter amount I on line K in Part 5 of this schedule or on line B in Part 2 of Schedule 502, *Ontario Tax Credit for Manufacturing and Processing*, whichever applies.

Part 5 – Calculation of credit union tax reduction

Complete this part and Schedule 17, *Credit Union Deductions*, if the corporation was a credit union throughout the tax year.

Amount D from Part 3 of Schedule 17	_____	J
Deduct:		
Ontario adjusted small business income (amount I from Part 4)	_____	K
Subtotal (amount J minus amount K) (if negative, enter "0")	=====	L
Amount L multiplied by rate G from Part 3	=====	M
Ontario domestic factor (line E from Part 3)	=====	1.00000 N
Ontario credit union tax reduction (amount M multiplied by ODF from line N)	=====	O

Enter amount O on line 410 of Schedule 5.

ONTARIO RESEARCH AND DEVELOPMENT TAX CREDIT

Name of corporation RDBASE SR&ED CASE STUDY	Business Number	Tax year-end Year Month Day 2015-12-31
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- Use this schedule to:
 - calculate an Ontario research and development tax credit (ORDTC);
 - claim an ORDTC earned in the tax year or carried forward from any of the 20 previous tax years that are a tax year ending after December 31, 2008, to reduce Ontario corporate income tax payable in the current tax year;
 - carry back an ORDTC to reduce Ontario corporate income tax payable in any of the three previous tax years, but not to a tax year that ends before January 1, 2009;
 - add an ORDTC that was allocated to the corporation by a partnership of which it was a member;
 - transfer an ORDTC after an amalgamation or windup; or
 - calculate a recapture of the ORDTC.
- The ORDTC is a 4.5% non-refundable tax credit on eligible expenditures incurred by a corporation in a tax year that ends after December 31, 2008.
- An eligible expenditure is an expenditure for a permanent establishment in Ontario of a corporation, that is a qualified expenditure for the purposes of section 127 of the federal *Income Tax Act* for scientific research and experimental development (SR&ED) carried on in Ontario.
- Only corporations that are not exempt from Ontario corporate income tax and none of whose income is exempt income can claim the ORDTC.
- Attach a completed copy of this schedule to the *T2 Corporation Income Tax Return*.

Part 1 – Ontario SR&ED expenditure pool

Total eligible expenditures incurred by the corporation in Ontario in the tax year	100	656,028	A
Deduct: Government assistance, non-government assistance, or a contract payment for eligible expenditures	105	65,603	B
Net eligible expenditures for the tax year (amount A minus amount B) (if negative, enter "0")		590,425	C
Add: Eligible expenditures transferred to the corporation by another corporation	110		D
Subtotal (amount C plus amount D)		590,425	E
Deduct: Eligible expenditures the corporation transferred to another corporation	115		F
Ontario SR&ED expenditure pool (amount E minus amount F) (if negative, enter "0")	120	590,425	G

Part 2 – Calculation of the current part of the ORDTC

Ontario SR&ED expenditure pool (amount G in Part 1) 590,425 x 4.5000 % = **200** 26,569 H

Note: Pursuant to subsection 38(2) of the *Taxation Act, 2007* (Ontario), the research and development tax credit rate is decreased from 4.5% to 3.5% on June 1, 2016. The rate must be prorated for taxation years straddling June 1, 2016.

ORDTC allocated to a corporation by a partnership of which it is a member (other than a specified member) for a fiscal period that ends in the corporation's tax year * **205** I

* If there is a disposal or change of use of eligible property, see Part 6

Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure, other than for first term or second term shared-use equipment, incurred in a tax year ending before June 1, 2016 x 4.50 % = _____

Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure, other than for first term or second term shared-use equipment, incurred in a tax year that straddles June 1, 2016 x % = _____

Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure, other than for first term or second term shared-use equipment, incurred in a tax year that starts after May 31, 2016 x 3.50 % = _____

Total 210 ▶ **215** J

Repayment made in the tax year of government or non-government assistance or a contract payment that reduced an eligible expenditure for first term or second term shared-use equipment **220** x 1 / 4 = _____ x 4.50 % = **225** K

Current part of the ORDTC (total of amounts H to K) **230** 26,569 L

Part 3 – Calculation of ORDTC available for deduction and ORDTC balance

ORDTC balance at the end of the previous tax year M

Deduct: ORDTC expired after 20 tax years **300** N

ORDTC at the beginning of the tax year (amount M **minus** amount N) **305** O

Add:

ORDTC transferred on amalgamation or windup **310** P

Current part of ORDTC (amount L in Part 2) 26,569 Q

Are you waiving all or part of the current part of the ORDTC? **315** Yes 1 No 2

If you answered **yes** at line 315, enter the amount of the tax credit waived on line 320.

If you answered **no** at line 315, enter "0" on line 320.

Deduct: Waiver of the current part of the ORDTC **320** R

Subtotal (amount Q **minus** amount R) 26,569 ▶ 26,569 S

ORDTC available for deduction (total of amounts O, P and S) 26,569 ▶ 26,569 T

Deduct:

ORDTC claimed * (Enter amount U on line 416 of Schedule 5, *Tax Calculation Supplementary – Corporations*) 7,645 U

ORDTC carried back to a previous tax year (from Part 4) V

Subtotal (amount U **plus** amount V) 7,645 ▶ 7,645 W

ORDTC balance at the end of the tax year (amount T **minus** amount W) **325** 18,924 X

* This amount cannot be more than the lesser of the following amounts:
– ORDTC available for deduction (amount T); or
– Ontario corporate income tax payable before the ORDTC and the Ontario corporate minimum tax credit (amount from line E6 of Schedule 5).

Part 4 – Request for carryback of tax credit

	Year	Month	Day		
1 st previous tax year	2014	12	31	..... Credit to be applied	901 _____
2 nd previous tax year	2014	06	30	..... Credit to be applied	902 _____
3 rd previous tax year	2013	06	30	..... Credit to be applied	903 _____
Total (enter amount on line V in Part 3)					_____

Calculation 2 – If the corporation is deemed by subsection 42(1) of the *Taxation Act, 2007* (Ontario) to have transferred all or part of the eligible expenditure to another corporation as a consequence of an agreement described in subsection 127(13) of the federal Act complete Calculation 2. Otherwise, enter nil on line II.

CC	DD	EE
The rate percentage that the transferee used to determine its federal ITC for a qualified expenditure that was transferred under an agreement under subsection 127(13) of the federal Act	The proceeds of disposition of the property if you dispose of it to a person at arm's length; or, in any other case, the fair market value of the property at conversion or disposition	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 for an agreement under subsection 127(13) of the federal Act)
720	730	740
1.		

FF	GG	HH
Amount determined by the formula (CC x DD) – EE (using the columns above)	The federal ITC earned by the transferee for the qualified expenditure that was transferred	Amount from column FF or GG, whichever is less
	750	
1.		

Subtotal (enter amount II on line LL below) _____ **II**

Calculation 3

As a member of a partnership, you will report your share of the ORDTC of the partnership after the ORDTC has been reduced by the amount of the recapture. If this is a positive amount, you will report it on line 205 in Part 2. However, if the partnership does not have enough ORDTC otherwise available to offset the recapture, then the amount by which reductions to the ORDTC exceeds additions (the excess) will be determined and reported on line JJ.

Corporate partner's share of the excess of ORDTC (enter amount JJ at line NN below) **760** _____ JJ

Part 7 – Total recapture of ORDTC

Recaptured federal ITC for Calculation 1 (amount from line BB)	_____	KK
Recaptured federal ITC for Calculation 2 (amount from line II above)	_____	LL
Amount KK plus amount LL	=====	x 23.56 % = _____ MM
Add: Corporate partner's share of the excess of ORDTC for Calculation 3 (amount from line JJ above)	_____	NN
Recapture of ORDTC (amount MM plus amount NN) (enter amount OO on line 277 of Schedule 5)	=====	OO

Schedule A - Worksheet for eligible expenditures incurred by the corporation in Ontario for the current taxation year

This worksheet allows you to report the amount of eligible expenditures entered on Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim* which represents eligible expenditures as defined in section 127 of the *Income Tax Act (ITA)* with regard to scientific research and experimental development (SR&ED) **carried on in Ontario and attributable to a permanent establishment in Ontario of a corporation.**

Data on the worksheet is calculated based on the amounts on Form T661, but will have to be adjusted according to the rules of Ontario, if applicable, in particular when the corporation has had a permanent establishment in more than one jurisdiction. This data will be used when calculating Schedule 508 and Schedule 566.

Enter the breakdown between current and capital expenditures		
	Current Expenditures	Capital Expenditures
Total expenditures for SR&ED	507,387	
Add		
• payment of prior years' unpaid expenses (other than salary or wages)	+	+
• prescribed proxy amount (Enter "0" if you use the traditional method)	+ 158,641	+
• expenditures on shared-use equipment	+	+
• other additions	+	+
Subtotal =	666,028	=
Less		
• current expenditures (other than salary or wages) not paid within 180 days of the tax year end	-	-
• amounts paid in respect of an SR&ED contract to a person or partnership that is not taxable supplier	-	-
• 20% of contract expenditures for SR&ED performed on your behalf	- 10,000	-
• prescribed expenditures not allowed by regulations	-	-
• other deductions	-	-
• non-arm's length transactions		
- expenditures for non-arm's length SR&ED contracts	-	-
- purchases (limited to costs) of goods and services from non-arm's length suppliers	-	-
Subtotal =	656,028 I	= II
Total eligible expenditures incurred by the corporation in Ontario in the tax year (add amount I and II)		= 656,028 III
Enter amount III on line 100 of Schedule 508.		

Ontario Innovation Tax Credit

Corporation's name RDBASE SR&ED CASE STUDY	Business number	Tax year-end Year Month Day 2015-12-31
---	-----------------	--

- Use this schedule to claim an Ontario innovation tax credit (OITC). A qualifying corporation must:
 - have had a permanent establishment in Ontario during the tax year;
 - have carried on scientific research and experimental development (SR&ED) in Ontario during the tax year;
 - be eligible to claim a federal investment tax credit under section 127 of the federal *Income Tax Act* for its qualified expenditures; and
 - have filed Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim*, in the tax year.
- The OITC is a 10% refundable tax credit based on the sum of the corporation's qualified expenditures incurred in Ontario and any eligible repayments.
- The OITC is available to a maximum annual expenditure limit of \$3 million. Associated corporations must share in the \$3 million expenditure limit.
- Qualifying corporations are eligible to claim the full OITC with a qualified expenditure limit of \$3 million where their specified capital amount or their federal taxable income for the previous tax year is not more than \$25 million and \$500,000, respectively. If one of these amounts is more than the respective threshold, the \$3 million limit is progressively reduced.
- A corporation can waive its eligibility for all or part of the OITC by completing Part 7 of this schedule.
- Expenditure limit, qualified expenditure, and eligible repayments are defined in subsections 96(3), 96(3.1), as well as 96(8) and 96(12) of the *Taxation Act*, 2007 (Ontario), respectively.
- File this schedule with your *T2 Corporation Income Tax Return*.

Part 1 – Eligibility

1. Did the corporation have a permanent establishment in Ontario at any time during the tax year?	100	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>
2. Was the corporation exempt from tax for the tax year under Part III of the <i>Taxation Act</i> , 2007 (Ontario)?	105	1 Yes <input type="checkbox"/>	2 No <input checked="" type="checkbox"/>
3. Did the corporation carry on SR&ED in Ontario during the tax year?	110	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>
4. Is the corporation eligible to claim an investment tax credit under section 127 of the federal <i>Income Tax Act</i> on qualified expenditures made in the tax year?	115	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>
5. Did the corporation file Form T661 in the tax year?	120	1 Yes <input checked="" type="checkbox"/>	2 No <input type="checkbox"/>

If you answered **yes** to question 2 or **no** to question 1, 3, 4, or 5, you are **not eligible** for the Ontario innovation tax credit.

Part 2 – SR&ED qualified expenditure pool

Ontario qualified expenditures of a current nature	200	656,028
Ontario qualified expenditures of a capital nature	205	x 40 % = 210
SR&ED qualified expenditure pool * (amount 200 plus amount 210)	215	<u>656,028</u> A

* The SR&ED expenditure pool is not reduced for amounts considered to be specified contract payments. See Part 8 of this schedule.

Part 3 – Eligible repayments

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures of a current nature **300** B

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures of a capital nature incurred before 2014 **305** C

Designated repayments made in the year of government or non-government assistance or contract payments relating to Ontario qualified expenditures for first term or second term shared-use equipment acquired before 2014 **310** x 25 % = **315** D

Subtotal (amount C plus amount D) x 0.4 = **320** E

Total of lines 300 and 320 E.1

For a taxation year ending before June 1, 2016

Eligible repayments (amount on line E.1) E.2

For a taxation year straddling June 1, 2016

Use the following formula to calculate the eligible repayments:

Amount E.1 x $\left(\frac{\text{.....}}{\text{.....}^*} \right) =$ E.3

For a taxation year starting after May 31, 2016

Amount on line E.1 attributable to repayments with respect to expenditures incurred in a taxation year ending before June 1, 2016 E.4

Amount on line E.1 attributable to repayments with respect to expenditures incurred in a taxation year straddling June 1, 2016 E.5

Amount on line E.1 attributable to repayments with respect to expenditures incurred in a taxation year starting after May 31, 2016 E.6

Use the following formula to calculate the eligible repayments:

Amount E.6 + $\left[\frac{\text{Amount E.5}}{\text{.....}} \times \left(\frac{\text{.....}^{**}}{\text{.....}} \right) + \left(\frac{\text{Amount E.4}}{\text{.....}} \times \frac{\text{.....}}{\text{.....}} \right) \right] =$ E.7

Eligible repayments (amount E.2, E.3 or E.7, as applicable) **325** F

* This rate is calculated as follows:

10% multiplied by the ratio between the number of days in the current taxation year that are before June 1, 2016, and the total number of days included in the taxation year

+

8% multiplied by the ratio between the number of days in the current taxation year that are after May 31, 2016, and the total number of days included in the taxation year

** This rate is determined based on the number of days in the previous particular taxation year that straddles June 1, 2016. It is calculated as follows:

10% multiplied by the ratio between the number of days in the particular year that are before June 1, 2016, and the number of days included in the year

+

8% multiplied by the ratio between the number of days in the particular year that are after May 31, 2016, and the total number of days included in the year

Part 4 – Expenditure limit

For a stand-alone corporation: \$ 8,000,000

Taxable income for the previous tax year (before any loss carrybacks being applied) * 400 G

Amount G or \$ 500,000, whichever is greater 500,000 x 10 = 5,000,000 H

Excess (\$ 8,000,000 minus amount H) ** 3,000,000 I

Specified capital amount for the corporation for the previous tax year (line 500 in Part 5) minus \$ 25,000,000 = 405 J**

\$ 25,000,000 minus amount J 410 25,000,000 K**

(amount I x amount K)

Expenditure limit for the stand-alone corporation: 3,000,000 x 25,000,000 = 415 3,000,000 L***
25,000,000

* If any of the tax years referred to at line 400 is less than 51 weeks, **multiply** the taxable income by 365 and **divide** by the number of days in the tax year.

** If the result is negative, enter "0".

*** Amount L cannot be more than \$ 3,000,000 .

For associated corporations: \$ 8,000,000

Total of all taxable incomes of the corporation and of its associated corporations (before any loss carrybacks being applied) for their last tax year ending in the previous calendar year * 420 M

Amount M or \$ 500,000, whichever is greater 500,000 x 10 = 5,000,000 N

Excess (\$ 8,000,000 minus amount N) ** 3,000,000 O

Specified capital amount of the corporation and of its associated corporations for their last tax year ending in the previous calendar year (line 505 in Part 5) minus \$ 25,000,000 = 425 P**

\$ 25,000,000 minus amount P 430 25,000,000 Q**

(amount O x amount Q)

Expenditure limit for associated corporations: 3,000,000 x 25,000,000 = 435 R
25,000,000

Enter amount R on line X in Part 6.

Expenditure limit for the corporation (amount allocated from column 3 in Part 6) 440 S***

Expenditure limit where the tax year of the stand-alone or associated corporation is less than 51 weeks:

Calculate the amount of the expenditure limit as follows:

number of days in the tax year

Amount L or amount S, whichever applies 3,000,000 x 365 = 445 T

* If any of the tax years referred to at line 420 is less than 51 weeks, **multiply** the taxable income by 365 and **divide** by the number of days in the tax year.

** If the result is negative, enter "0".

*** Amount S cannot be more than \$ 3,000,000 .

Part 5 – Calculation of the specified capital amount

For stand-alone corporations (see notes below):

Specified capital amount for the previous tax year **500** U

For associated corporations (see notes below and subsection 96(4.1) of *Taxation Act, 2007*(Ontario)):

Specified capital amount for the corporation and each of its associated corporations for their last tax year ending in the previous calendar year (complete the table below) **505** V

	1 Names of associated corporations	2 Business Number of associated corporations (enter "NR" if a corporation is not registered)	3 Specified capital amount
	510	515	520
1.			
Total specified capital amount			W

Enter on line 505 the total specified capital amount in column 3 (amount W).

Notes for stand-alone corporations and associated corporations

1. If the corporation is an insurance corporation or a credit union for a tax year, enter the amount of the corporation's taxable capital employed in Canada for the applicable tax year, from line 590, 690, or 790 of Schedule 35, *Taxable Capital Employed in Canada – Large Insurance Corporations*, or line 690 of Schedule 34, *Taxable Capital Employed in Canada – Financial Institutions*.
2. If the corporation is a financial institution, as defined in subsection 96(18) of the *Taxation Act, 2007* (Ontario), for a tax year, enter the amount of the corporation's adjusted taxable paid-up capital for the applicable tax year from line 250 of Schedule 514, *Ontario Capital Tax on Financial Institutions*.
3. For all other corporations, enter the amount of the corporation's taxable capital for the applicable tax year from line 120 of Schedule 515, *Ontario Capital Tax on Other Than Financial Institutions*.

Part 6 – Agreement among associated corporations to allocate the expenditure limit

	1 Names of associated corporations	2 Business Number of associated corporations (enter "NR" if a corporation is not registered)	3A Maximum expenditure limit	3 Expenditure limit allocated *(allocate the amount of the expenditure limit from line 435 in Part 4 to each associated corporation)
	600	605		610
1.				
Total expenditure limit				<u>X</u>

Enter on line 440 in Part 4 the expenditure limit allocated to the corporation in column 3.

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

Part 7 – Calculation of the Ontario innovation tax credit

	Current Expenditures	+	Capital Expenditures	=	
SR&ED qualified expenditure pool (line 215 in Part 2)	656,028				656,028 AA
Add: Eligible repayments (line 325 in Part 3)					BB
Subtotal (amount AA plus amount BB)	656,028			700	656,028 CC
Expenditure limit (line 415, 440, or 445, whichever applies)					3,000,000 DD
Amount CC or amount DD, whichever is less	656,028			705	656,028 EE
Ontario innovation tax credit: (amount EE x 10 % *)				710	65,603 FF
Are you waiving all or part of the OITC? 715 1 Yes <input type="checkbox"/> 2 No <input checked="" type="checkbox"/>					
If you answered yes at line 715, enter the amount of the tax credit waived on line 720. If you answered no at line 715, enter "0" on line 720.					
Deduct: Waiver of the tax credit				720	GG
Ontario innovation tax credit claimed (amount FF minus amount GG)					65,603 HH

Enter amount HH on line 468 on page 5 of Schedule 5, *Tax Calculation Supplementary – Corporations*.

* Pursuant to subsection 96(2) of the *Taxation Act, 2007* (Ontario), the research and development tax credit rate is decreased from 10% to 8% on June 1, 2016. The rate must be prorated for taxation years straddling June 1, 2016.

Part 8 – Specified contract payments

- Specified contract payments, as defined in subsection 96(11) of the *Taxation Act, 2007* (Ontario), are contract payments received for the performance of SR&ED carried on in Ontario by a payor corporation that does not have a permanent establishment in Ontario and is not entitled to claim the OITC.
- According to subsection 96(9) of the **Taxation Act, 2007** (Ontario), the recipient does not have to deduct the specified contract payment from its SR&ED qualified expenditure pool.
- Specified contract payments include all amounts that are received, receivable, or reasonably expected to be received by the corporation.

Note
A corporation cannot claim SR&ED credits for contract payments received from another corporation that are not specified contract payments. These payments, if eligible, would be claimed by the corporation making the payments.

Provide details of specified contract payments received for which the OITC is being claimed:

	1 Name of corporation making the payment 800	2 Address of the corporation making the payment 805	
1.			
	3 Is this an arm's length transaction? 810	4 Gross amount of specified contract payment received 815	5 Actual SR&ED expenditure relating to contract included in claim 820
1.	1 Yes <input type="checkbox"/> 2 No <input type="checkbox"/>		

Schedule A – Worksheet for eligible expenditures incurred by the corporation in Ontario for the current taxation year

This worksheet allows you to report the amount of eligible expenditures entered on Form T661, *Scientific Research and Experimental Development (SR&ED) Expenditures Claim* which represents eligible expenditures as defined in section 127 of the *Income Tax Act* (ITA) with regard to scientific research and experimental development (SR&ED) **carried on in Ontario and attributable to a permanent establishment in Ontario of a corporation.**

Data on the worksheet is calculated based on the amounts on Form 508, but will have to be adjusted according to the rules of Ontario, if applicable. This data will be used when calculating lines 200 and 205 of Section 2.

Enter the breakdown between current and capital expenditures		Current Expenditures	Capital Expenditures
Total eligible expenditures incurred by the corporation in Ontario in the tax year. (Schedule 508, line I and II of Schedule A)		656,028	
Add			
Eligible expenditures transferred to the corporation by another corporation (Schedule 508, breakdown of line 110) +		+ _____	+ _____
Subtotal =		656,028	= _____
Less			
Eligible expenditures the corporation transferred to another corporation (Schedule 508, breakdown of line 115) -		- _____	- _____
Government assistance, non-government assistance or a contract payment in respect of eligible expenditures -		- _____	- _____
Total eligible expenditures incurred by the corporation in Ontario in the tax year =		656,028 *	= _____ **
* (enter amount at line 200 of Section 2)			
** (enter amount at line 205 of Section 2)			

Corporate Taxpayer Summary

Corporate information

Corporation's name RDBASE SR&ED CASE STUDY
 Taxation Year 2015-01-01 to 2015-12-31
 Jurisdiction Ontario

BC	AB	SK	MB	ON	QC	NB	NS	NO	PE	NL	XO	YT	NT	NU	OC
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Corporation is associated N
 Corporation is related N
 Number of associated corporations
 Type of corporation Canadian-Controlled Private Corporation
 Total amount due (refund) federal and provincial* -244,265

* The amounts displayed on lines "Total amount due (refund) federal and provincial" are all listed in the help. Press F1 to consult the context-sensitive help.

Summary of federal information

Net income	169,883
Taxable income	169,883
Donations	
Calculation of income from an active business carried on in Canada	169,883
Dividends paid	
Dividends paid – Regular	
Dividends paid – Eligible	
Balance of the low rate income pool at the end of the previous year	
Balance of the low rate income pool at the end of the year	
Balance of the general rate income pool at the end of the previous year	
Balance of the general rate income pool at the end of the year	
Part I tax (base amount)	64,556
Credits against part I tax	Summary of tax
Small business deduction 28,880	Part I ITC refund 178,662
M&P deduction	Part IV Dividends refund
Foreign tax credit	Part III.1 Instalments
Investment tax credits 18,688	Other* Surtax credit
Abatement/Other* 16,988	Provincial or territorial tax Other* 65,603
	Balance due/refund (-) -244,265

* The amounts displayed on lines "Other" are all listed in the Help. Press F1 to consult the context-sensitive help.

Summary of provincial information – provincial income tax payable

	Ontario	Québec (CO-17)	Alberta (AT1)
Net income	169,883		
Taxable income	169,883		
% Allocation	100.00		
Attributed taxable income	169,883		
Tax payable before deduction*	19,537		
Deductions and credits	19,537		
Net tax payable			
Attributed taxable capital	N/A		N/A
Capital tax payable**	N/A		N/A
Total tax payable***			
Instalments and refundable credits	65,603		
Balance due/Refund (-)	-65,603		
Logging tax payable (COZ-1179)			
Tax payable	N/A		N/A

* For Québec, this includes special taxes.
 ** For Québec, this includes compensation tax and registration fee.
 *** For Ontario, this includes the corporate minimum tax, the Crown royalties' additional tax, the transitional tax debit, the recaptured research and development tax credit and the special additional tax debit on life insurance corporations. The Balance due/Refund is included in the federal Balance due/refund.

Summary of provincial carryforward amounts

Other carryforward amounts	
Ontario	
Ontario research and development tax credit – Schedule 508	18,924

Summary – taxable capital

Corporate name	Taxable capital used to calculate the business limit reduction (T2, line 415)	Taxable capital used to calculate the SR&ED expenditure limit for a CCPC (Schedules 31 and 49)	Taxable capital used to calculate line 233 of the T2 return	Taxable capital used to calculate line 234 of the T2 return
RDBASE SR&ED CASE STUDY			100,000	100,000
Total			100,000	100,000

Québec

Corporate name	Paid-up capital used to calculate the Québec business limit reduction (CO-771 and CO-771.1.3) and to calculate the additional deduction for transportation costs of remote manufacturing SMEs (CO-156.TR)	Paid-up capital used to calculate the tax credit for investment (CO-1029.8.36.IN)	Paid-up capital used to calculate the 1 million deduction (CO-1137.A and CO-1137.E)
Total			

Ontario

Corporate name	Specified capital used to calculate the expenditure limit – Ontario innovation tax credit (Schedule 566)
RDBASE SR&ED CASE STUDY	
Total	

Other provinces

Corporate name	Capital used to calculate the Newfoundland and Labrador capital deduction on financial institutions (Schedule 306)
Total	