



## Manitoba Crop Alliance's

# SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT (SR& ED)

### Making your claim – Corporations

To make an SR&ED claim based on payments to Agricultural Associations (check-off dues), follow the steps below:

**1) Tally all net check-off levies paid to each association.**

Farmers can calculate total check-off levies for the year by referring to their crop sales receipts.

$$\text{Net check-off's} = \text{Total check-off's paid} - \text{Refunded check-offs.}$$

The net is used to calculate the ITC because only levies not refunded are eligible.

**2) Multiply the total net check-off levies paid by the applicable associations SR&ED % for the year**

**3) Multiply the calculated SR&ED portion of the levy by 80%**

**4) Report this calculated amount on line 103 of Schedule 31**

**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

If yes, complete [Schedule 125](#), Income Statement Information, to identify the type of farming industry the corporation is involved in.

Contributions to agricultural organizations for SR&ED\*  x 80% **103**

Enter on line 350 of Part 8.

\* Enter only contributions not already included on Form T661.

This is only one section of Schedule 31 and multiple other lines are completed to determine the end rebate. For example, this \$800 flows to line 420 where the refundable portion of the levies is calculated.

**Part 11 – Investment tax credits on SR&ED expenditures**

Qualified SR&ED expenditures (from line 350 in Part 8) or the expenditure limit (from line 410 in Part 10), whichever is less\* **420**  x **35 %** =  **I2**

Line 350 minus line 410 (if negative, enter "0") **430**  x **15 %** =  **J2**

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.

The \$280 ITC flows to multiple other lines, and eventually to the last page of the T2 on line 780 where it is applied as a refundable tax credit to your net corporate tax return





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## Making your claim – Corporations (cont.)

### Deduct other credits:

Investment tax credit refund from <a href="#">Schedule 31</a>	780	280	
Dividend refund from amount JJ on page 7	784		
Federal capital gains refund from <a href="#">Schedule 18</a>	788		
Federal qualifying environmental trust tax credit refund	792		
Canadian film or video production tax credit ( <a href="#">Form T1131</a> )	796		
Film or video production services tax credit ( <a href="#">Form T1177</a> )	797		
Canadian journalism labour tax credit from <a href="#">Schedule 58</a>	798		
Tax withheld at source	800		
Total payments on which tax has been withheld	801		
Provincial and territorial capital gains refund from <a href="#">Schedule 18</a>	808		
Provincial and territorial refundable tax credits from <a href="#">Schedule 5</a>	812		
Tax instalments paid	840		
	Total credits	890	280
Refund Code <b>894</b>	Refund	280	Balance (amount A minus amount B) (280)

This example is only brief outline to the process of the SR&ED claim. We would recommend providing your accountant with the net levies paid to each association and their applicable SR&ED % for the year, to allow the accountant for easy processing of your claim.





## Manitoba Crop Alliance's

# SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT (SR& ED)

### Making your claim – Individuals

To make an SR&ED claim based on payments to Agricultural Associations (check-off dues), follow the steps below:

**1) Tally all net check-off levies paid to each association.**

Farmers can calculate total check-off levies for the year by referring to their crop sales receipts.

*Net check-off's = Total check-off's paid - Refunded check-offs.*

The net is used to calculate the ITC because only levies not refunded are eligible.

**2) Multiply the total net check-off levies paid by the applicable associations SR&ED % for the year**

**3) Multiply the calculated SR&ED portion of the levy by 80%**

**4) Report this calculated amount on line 67130 of T2038**

Canada Revenue Agency / Agence du revenu du Canada

Investment Tax Credit (Individuals)

Link this form to: T1163-T1273#1

Protected B when completed

<b>Part A – Calculating the current-year refundable ITC</b>			
ITC for total qualified expenditures for SR&ED, exclude amounts from lines 67130 and 67135	67120	x .15 =	1
80% of total contributions made to agricultural organizations for SR&ED	67130	800.00 x .15 =	120.00
ITC allocated from a partnership for SR&ED (see boxes 186, 187 and 189 of your T5013 slips)	67135		3
ITC for total investments in qualified property	67140	x 0.10 =	4
<b>Total current-year refundable credits</b> (add amounts 1 to 4) Enter amount A in column 2 in Part F.		=	<b>120.00</b> A

This amount flows to various lines of T2038, to Section 8 for the calculation of the refundable portion of the ITC and the non-refundable portion.





## Manitoba Crop Alliance's

# SCIENTIFIC RESEARCH & EXPERIMENTAL DEVELOPMENT (SR& ED)

### Making your claim – Individuals (cont.)

**Part E – Calculating a carryback and refund of an ITC (continued)**  
**ITC available for refund**  
 Complete this section to determine the balance of credit available for refund.

Total current-year refundable credit available (column 2 minus column 4 in Part F)		120 00	3
Current-year credit claim (column 6, plus column 7, minus column 1 in Part F)			4
Amount K	+		5
<b>Subtotal</b> (add amounts 4 and 5)	=		6
Amount from column 3 in Part F	-		7
<b>Total</b> (amount 6 minus amount 7, if negative, enter "0")	=		8
<b>Total credit available for refund</b> (amount 3 minus amount 8)	=	120 00	L

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

Amount you designate as a refund of ITC (cannot be more than amount L)		120 00	9
The refundable rate	x	40 00	10
<b>Refund of ITC</b> (multiply amount 9 by amount 10)		48 00	M

Enter the total of amounts K and M in column 8 in Part F (cannot be more than amount J)

Enter amount M on line 45400 of your income tax and benefit return or on line 88 of a Form T3RET, T3 Trust Income Tax and Information Return.

**Part F – Carryforward chart**

1	2	3	4	5	6	7	8	9
Balance of credits carried forward from previous years	Current-year refundable credit (amount A in Part A)	Current-year non-refundable credit (amount D in Part B)	Adjustments*	Total credit available (column 1 plus column 2 plus column 3 minus column 4)	Current-year credit claim (amount G in Part D)	Current-year credit claim (AMT) (amount I in Part D)	Credit claim – other (amount K plus M in Part E)	Balance carried forward (column 5 minus column 6, 7 and 8)
	120 00			120 00			48 00	72 00

\* For a graduated rate estate, enter the amount of ITC allocated to beneficiaries from box 40 of your T3 slip.

As shown in the example, 40% of the ITC is refunded (\$60) and the remaining 60% (\$90) is either applied to taxes payable or carried forward for 20 years to be applied against future taxes payable.

This example is only a brief outline to the process of the SR&ED claim. We would recommend providing your accountant with the net levies paid to each association and their applicable SR&ED % for the year, to allow the accountant for easy processing of your claim.

