

Tax Credit for Salaries and Wages (R&D)

Qualified taxpayer

This form must be filed by any taxpayer that wants to claim the tax credit for salaries and wages (R&D) related to qualified expenditures incurred by the taxpayer or the partnership of which the taxpayer is a member.

If the qualified expenditures were incurred by the taxpayer, the taxpayer must:

- carry on a business in Canada;
- conduct scientific research and experimental development (R&D) work in Québec **or** have R&D work conducted on its behalf in Québec under a research contract;
- not be a tax-exempt taxpayer.¹

If the qualified expenditures were incurred by a partnership of which the taxpayer is a member, **the taxpayer can claim the tax credit** as a member of the partnership based on the taxpayer's share of the partnership's qualified expenditures for the partnership's **fiscal period that ends in the taxpayer's taxation year**, if the following conditions are met:

- The partnership meets the conditions in the first two points of the previous paragraph.
- The taxpayer is a member of the partnership at the end of that **fiscal period**.
- The taxpayer is not a specified member of the partnership in that **fiscal period**.
- The taxpayer is not a tax-exempt taxpayer.¹

In that case, enter the taxpayer's information in Part 1 and the partnership's information in parts 2 to 4, then determine the taxpayer's share in Part 6.

Complete form RD-222-V, *Deduction Respecting Scientific Research and Experimental Development Expenditures*, before claiming this tax credit and enclose it with the qualified taxpayer's income tax return.

Important information

- If the taxpayer is claiming the tax credit as a corporation or as an individual and also wants to claim it as a member of a qualified partnership, complete a separate copy of the form for each of the two claims.
- Enclose all completed copies of this form with the taxpayer's income tax return. If for any reason you are unable to enclose the required document(s) with the return, you must send the document(s) to us within 12 months after the filing deadline for the return for the year concerned.
- If the taxpayer was required to make instalment payments for the taxation year covered by this form, this tax credit will be used to reduce the amount of those payments.
- For more information, refer to sections 1029.6.1 to 1029.8.0.0.2 and 1029.8.17 to 1029.8.21.3.1 of the *Taxation Act*.

1 Information about the taxpayer

01a	Québec enterprise number (NEQ)	01b	Identification number	File	01c	Social insurance number
				IC 0001		
02	Name of taxpayer				05	End date of the fiscal period
						Y Y Y Y M M D D

Specify the type of qualified taxpayer.

- 05a ☐ Qualified corporation
- 05c ☐ Qualified individual



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2 Information about the subcontractors dealing at arm's length with the taxpayer

Complete this part if, under an eligible contract, the taxpayer caused R&D work to be carried out on the taxpayer's behalf by one or more subcontractors dealing at arm's length with the taxpayer.

If there is not enough space, enclose an additional copy of this form.

6.1	Name of subcontractor	7.1	Identification number (QST)
8.1	Address	9.1	Postal code
		10.1	Social insurance number
11.1	Total amount of consideration	12.1	Portion paid during the year

6.2	Name of subcontractor	7.2	Identification number (QST)
8.2	Address	9.2	Postal code
		10.2	Social insurance number
11.2	Total amount of consideration	12.2	Portion paid during the year

3 Qualified expenditures

Break down the R&D expenditures² by entering them in columns A, B and C. In column A, enter the amounts relating to salaries and wages that the taxpayer paid for R&D work carried out in the taxation year. In column B, enter the portion of the consideration attributable to salaries and wages that the taxpayer paid to a subcontractor not dealing at arm's length with the taxpayer for R&D work carried out in the taxation year. In column C, enter the portion of the consideration attributable to R&D work carried out in the taxation year that the taxpayer paid to a subcontractor dealing at arm's length with the taxpayer.³

Where the taxpayer is a member of a partnership

If the taxpayer is claiming the tax credit as a member of a qualified partnership, complete lines 125 through 149 (columns A, B and C) only, by entering the partnership's information.

	A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Salaries and wages, and consideration paid to a subcontractor			
Consideration paid to a second-tier subcontractor who entered into a contract with a subcontractor not dealing at arm's length with the taxpayer			
Add lines 125 and 126.			
Contributions received for the R&D project ⁴			
Subtract line 131 from line 130.			
Assistance, ⁵ benefit or advantage, ⁶ or contract payment ⁷ related to the amount on line 132			
Subtract line 148 from line 132.			
Amount of reducible expenditures. Complete Part 4 and break down the amount from line 167 by entering it in columns A, B and C. The amount entered in each column must not exceed the amount on line 149.			
Subtract line 152a from line 149.			
Applicable percentage			
Multiply line 152b by line 153.			
	100%	100%	50%

Add the amounts in columns A, B and C on line 154. If the result is negative, enter 0.

Qualified expenditures = 155 H



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5 Qualified expenditures giving entitlement to the increased rate of the tax credit

Complete Part 5 only if the taxpayer is a corporation that is not controlled, directly or indirectly in any manner whatever, by one or more persons not resident in Canada and whose assets (including those of any corporations associated with it) are less than \$75 million for the previous taxation year. In other cases, go to Part 7. A taxpayer claiming the tax credit as a member of a qualified partnership is not entitled to the increased rate of the tax credit. Go to Part 6.

The limit on qualified expenditures that give entitlement to the increased rate is \$3,000,000. Furthermore, if the corporation is associated with one or more other corporations, that limit must be allocated to one or more of the corporations. To do so, complete form RD-1029.7.8, *Entente concernant la limite de dépenses entre sociétés associées*. Then enter the amount allocated to each corporation on line 168 of its RD-1029.7 form. If the corporation is not associated with any other corporation, enter \$3,000,000 on line 168 of form RD-1029.7.

Expenditure limit		Number of days in the taxation year ⁹	
168		169	
		169a	365 days

Amount of reducible expenditures (amount on line 167)

Subtract line 170a from line 170.

170a	
170b	

Enter either amount H or the amount on line 170b, whichever is **less**.

Qualified expenditures giving entitlement to the increased rate of the tax credit

176	
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6 Taxpayer that is a member of a partnership

Complete this part only if the taxpayer is a member of a qualified partnership.

6.1 Taxpayer's percentage interest in the qualified partnership

If the taxpayer is directly a member of the qualified partnership, enter the information about the partnership on line 206 and carry the taxpayer's percentage interest¹⁰ to line 207.

If the taxpayer is a member of an interposed partnership that is a member of the qualified partnership, provide the required information about both partnerships on lines 205 and 206, respectively. If there is more than one interposed partnership, you must provide the required information for all of them. If there are more than three interposed partnerships, provide the information for each additional interposed partnership on another copy of the form. (All copies of the form must be filed together.) Then complete line 207.¹¹

If the taxpayer received an RL-15 slip for the year, do not complete column E in the table below. Enter on line 207 the percentage shown in box 74 of the slip.

	A Name of partnership	B Québec enterprise number (NEQ)	C Identification number	D End date of fiscal period Y Y Y Y M M D D	E Percentage interest
205	1. Interposed partnership				%
	2. Interposed partnership				%
	3. Interposed partnership				%
206	Qualified partnership				%

Multiply the percentages in column E. If you have completed more than one copy of the form, multiply the percentage interests in all the interposed partnerships from each copy completed. Then multiply the result by the percentage interest in the qualified partnership

Taxpayer's percentage interest in the qualified partnership =

207	
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6.2 Qualified expenditures

If the taxpayer received an RL-15 slip for the year, enter on line 210 the amount shown in box 71 of the slip. Otherwise, complete lines 208a through 210.

		A Partnership	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Amount on line 149	208a			
Percentage on line 207	208b	%	%	%
Multiply line 208a by line 208b.	208c			
Assistance ¹² received by the member of the partnership that is related to the amount on line 208a	208d			
Subtract line 208d from line 208c.	208e			
Amount of reducible expenditures. Break down the amount from line 167 by entering it in columns A, B and C. The amount entered in each column must not exceed the amount on line 208a.	208f			
Percentage on line 207	208g	%	%	%
Multiply line 208f by line 208g.	208h			
Subtract line 208h from line 208e.	209			
Applicable percentage	209a	100%	100%	50%
Multiply line 209 by line 209a.	209b			

Add the amounts in columns A, B and C on line 209b. If the result is negative, enter 0.

Qualified expenditures = 210 **K**

7 Tax credit

The tax credit is calculated differently according to the type of taxpayer. If the taxpayer is:

- a corporation, **complete section 7.1**;
- an individual, **complete section 7.2**.

If you find in a future taxation year that the taxpayer should not have received all or part of the tax credit, the taxpayer will have to repay the excess amount received by paying a **special tax**. When completing the taxpayer's income tax return for the year in question, enter the excess amount in the space provided for that purpose. For more information, refer to sections 1129.0.1 to 1129.0.10.10 of the *Taxation Act*.

7.1 Tax credit for a corporation

7.1.1 Increased rate of the tax credit

Complete this section if an amount is entered on line 176. Otherwise, go to section 7.1.2.

Maximum rate. Enter 30%.	212	%
Corporation's total assets ¹³ for the previous taxation year	213	
Amount of total assets in excess of which the rate reduction applies	214	50,000,000
Subtract line 214 from line 213. If the result is negative, enter 0.	215	
Applicable rate. Enter 16%.	216	%
Multiply line 215 by line 216.	217	
	218	250,000
Divide line 217 by line 218.	219	%
Subtract line 219 from line 212.	220	%

Rate reduction =

Increased rate of the tax credit =



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7.1.2 Tax credit

Complete all of this section if an amount is entered on line 176. Otherwise, enter the amount of the corporation's qualified expenditures (amount H or amount K, as applicable) on line 230 and do the calculations on lines 231 through 235.

Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 176)

Increased rate of the tax credit (rate on line 220)

Multiply line 225 by line 226.

Qualified expenditures (amount H)

Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 225)

Subtract line 229 from line 228. If the result is negative, enter 0.

Applicable rate. Enter 14%.

Multiply line 230 by line 231.

Tax credit in respect of assistance, a benefit or an advantage that was repaid in the year and that is related to salary and wages or consideration paid in a previous taxation year¹⁴

Add lines 227, 232 and 233. Carry amount V (or the total of amounts V) to one of lines 440p through 440y of form CO-17, *Déclaration de revenus des sociétés*, and enter code 02 in the appropriate box.

Tax credit for a corporation

225		
×	226	%
=	227	
228		
−	229	
=	230	
×	231	%
=	232	
+	233	
=	235	V

7.2 Tax credit for an individual

Amount H or amount K, as applicable

Applicable rate. Enter 14%.

Multiply line 241 by line 244.

Tax credit in respect of assistance, a benefit or an advantage that was repaid in the year and that is related to salary and wages or consideration paid in a previous taxation year¹⁴

Add lines 244a and 244b. Carry amount V (or the total of amounts V) to line 462 of the personal income tax return and enter code 15 in box 461.

Tax credit for an individual

241		
×	244	%
=	244a	
+	244b	
=	245	V



Notes

1. The term "tax-exempt taxpayer" refers to:
 - a corporation exempt from income tax;
 - a Crown corporation or a subsidiary wholly-owned corporation of such a corporation;
 - a controlled corporation;
 - a corporation related to a controlled corporation.

If the taxpayer conducts the R&D work, the term "controlled corporation" refers to a corporation that is controlled, directly or indirectly in any manner whatsoever, by one of the following entities:

 - an eligible university entity;
 - an eligible public research centre;
 - an eligible research consortium;
 - a corporation that operates a personal services business.

If the taxpayer has the R&D work conducted on its behalf, the term "controlled corporation" refers to a corporation that meets the condition in the previous paragraph for 24 months before the date the research contract is entered into.

The terms "eligible university entity," "eligible public research centre" and "eligible research consortium" are defined in section 1029.8.1 of the *Taxation Act*. The term "personal services business" is defined in section 1 of the *Act*.
2. A research subject who participates in a clinical trial conducted by the taxpayer or by a subcontractor on behalf of the taxpayer, in accordance with the standards established by the *Food and Drug Regulations* made under the *Food and Drugs Act* (R.S.C. 1985, c. F-27), is deemed to undertake R&D work for purposes of the tax credit for salaries and wages (R&D). If the taxpayer claims the tax credit in respect of such a clinical trial, a list of the participants in the trial that includes their dates of birth must be provided.
3. To qualify for the tax credit, the portion of the consideration attributable to R&D work must have been paid to the arm's-length subcontractor no later than 12 months after the filing deadline for the taxpayer's return for the year concerned.
4. If an amount is entered on line 131, enclose an appendix showing the source and the amount of each contribution. No tax credit can be granted if the taxpayer or a person not dealing at arm's length with the taxpayer has obtained or is entitled to obtain a contribution in the form of a former, present or future right in the proceeds of disposition of part or all of the intellectual property arising from the project or contract, as the case may be, or in the form of property designated by the Minister as being a contribution.
5. The term "assistance" refers to any government assistance and any non-government assistance that the taxpayer, or a subcontractor not dealing at arm's length with the taxpayer when the contract was entered into, received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the taxation year covered by this form. The term does not include any amount received and repaid in the year in respect of which the tax credit is claimed. "Government assistance" and "non-government assistance" are defined in section 1029.6.0.0.1 of the *Taxation Act*.
6. The phrase "benefit or advantage" refers to any benefit or advantage that the taxpayer, or any other person connected with the R&D project, obtained, is entitled to obtain or may reasonably expect to obtain on or before the day that is six months after the end of the taxation year covered by this form. The phrase does not refer to any amount received and repaid in the year in respect of which the tax credit is claimed. A benefit or advantage may be a reimbursement, compensation, guarantee or proceeds of disposition of property that exceed the fair market value of the property, or may be granted in any other form or manner.
7. The term "contract payment" means:
 - an amount that the taxpayer, or a subcontractor not dealing at arm's length with the taxpayer when the contract was entered into, received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the taxation year covered by this form, for R&D work that the taxpayer or subcontractor undertook on behalf of a person resident in Canada or on behalf of a person not resident in Canada that carries on a business in Canada; or
 - an amount, other than a prescribed amount, that the taxpayer, or a subcontractor not dealing at arm's length with the taxpayer when the contract was entered into, received, is entitled to receive or may reasonably expect to receive, on or before the day that is six months after the end of the taxation year covered by this form, for R&D work that the taxpayer or subcontractor undertook on behalf of:
 - the Government of Canada or a provincial government,
 - a municipality,
 - a Canadian public authority, or
 - a person exempt from income tax.
8. Do not take into account the assets of any corporations that, at any time in the taxation year, were associated with the qualified taxpayer.
9. If the taxation year concerned has 357 days or more, enter 365 days.
10. The term "percentage interest" refers to the taxpayer's share of the partnership's income (or loss) for its fiscal period, divided by the partnership's income (or loss) for its fiscal period. If the partnership has no income or loss for its fiscal period, do the calculation as if the partnership had income of \$1,000,000.
11. If the taxpayer is a member of a qualified partnership through a number of groups of interposed partnerships, calculate the taxpayer's percentage interest in the qualified partnership separately for each such group, and complete the form as follows:
 - On line 205 (columns A to E), enter the required information about all the interposed partnerships in each group.
 - On line 206 (columns A to D), enter the required information about the qualified partnership.
 - On line 207, enter the taxpayer's total percentage interest in the qualified partnership (the sum of the taxpayer's percentage interests in the qualified partnership, calculated for each group).
12. The term "assistance" refers to any government assistance and any non-government assistance that the taxpayer received, is entitled to receive or may reasonably expect to receive on or before the day that is six months after the end of the partnership's fiscal period covered by this form. The term does not include any amount received and repaid in the year in respect of which the tax credit is claimed. "Government assistance" and "non-government assistance" are defined in section 1029.6.0.0.1 of the *Taxation Act*.
13. The assets of any corporation that, at any time in the taxation year, was associated with the corporation covered by this form must be taken into account.
14. To determine the amount to be entered on line 233 (where applicable), recalculate the tax credit for the previous year as if the taxpayer never received, in the previous year, the assistance, benefit or advantage repaid in the year concerned. Thus, you must redo the tax credit calculations done on the copy of form RD-1029.7 completed for the previous taxation year. The amount to be entered corresponds to the amount by which the recalculated tax credit exceeds the tax credit for the previous year.

