

## Tax Credit for Private Partnership Pre-Competitive Research

### Qualified taxpayer

This form must be filed by any taxpayer that wants to claim the tax credit for private partnership pre-competitive research in respect of qualified expenditures that the taxpayer or the partnership of which the taxpayer is a member incurred.

If the qualified expenditures were incurred by the taxpayer, the taxpayer must not be a tax-exempt taxpayer<sup>1</sup> or a public partner.<sup>2</sup> In addition, the taxpayer must:

- carry on a business in Canada;
- have entered into a private partnership agreement to either conduct scientific research and experimental development (R&D) work as part of a pre-competitive research project or cause such R&D work to be conducted on its behalf **in Québec**;
- have obtained a certificate issued by the Minister of Economy and Innovation;
- not have been related to any public partner and must have been dealing at arm's length with **at least** one of the partners that is not a public partner throughout the taxation year covered by this form.

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 taxpayer is not a tax-exempt taxpayer<sup>1</sup> or a public partner<sup>2</sup> and the taxpayer meets the following two conditions:
  - 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 partnership meets the four conditions in the previous paragraph (in the last condition, "throughout the taxation year covered by this form" must be replaced by "throughout that fiscal period.")

In that case, enter the taxpayer's information in Part 1 and the partnership's information in parts 2 and 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.

### Important information

- Complete Part 2 on a separate copy of this form for each partnership agreement in respect of which the taxpayer is claiming the tax credit. Complete parts 3 through 7 on a single copy of the form for all the partnership agreements.
- If the qualified taxpayer is claiming the tax credit as a corporation or an individual and as a member of a partnership, complete a separate copy of this form for each claim.
- Enclose all completed copies of this form with the taxpayer's income tax return, along with form RD-222-V and a copy of the valid certificate issued in respect of the pre-competitive research project undertaken under the partnership agreement. All the required documents must be sent to us on or before the later of:
  - the day that is 12 months after the filing deadline for the return for the taxation year concerned; and
  - the day that is three months after the day the certificate required to be able to claim the tax credit for the taxation year concerned was issued.<sup>3</sup>
- 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 1029.8.16.1.1 to 1029.8.16.1.9 and 1029.8.17 to 1029.8.21.3.1 of the *Taxation Act*.

## 1 Information about the taxpayer

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

## 2 Qualified expenditures related to a partnership agreement

Complete this part for each partnership agreement in respect of which the taxpayer is claiming the tax credit.

### 2.1 Information about the partnership agreement

Agreement date ..... 100

Date the certificate was issued ..... 101

Provide the following information about the partners. If there is not enough space, enclose an additional copy of the form.

Name	Identification number
102.1	103.1
Address	Postal code
104.1	105.1
	Social insurance number
	106.1
Name	Identification number
102.2	103.2
Address	Postal code
104.2	105.2
	Social insurance number
	106.2



13CZ ZZ 49516790

Prescribed form

## 2.2 Qualified expenditures

Break down the R&D expenditures by entering them in columns A, B and C. In column A, enter the R&D expenditures made in the taxation year by the taxpayer. In column B, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor not dealing at arm's length with the taxpayer. In column C, enter the portion of the consideration attributable to R&D work that the taxpayer paid in the taxation year to a subcontractor dealing at arm's length with the taxpayer.

		A Taxpayer	B Non-arm's-length subcontractor	C Arm's-length subcontractor
Qualified expenditure, <sup>4</sup> if the proxy method was <b>not</b> chosen on form RD-222-V	125			
Qualified expenditure, if the proxy method was chosen on form RD-222-V	126			
Proxy amount, <sup>5</sup> if the proxy method was chosen on form RD-222-V	+ 127		N/A	N/A
Add lines 126 and 127.	= 128			
Amount from line 125 or line 128, as the case may be	130			
Contributions received for the R&D project	131			
Assistance, <sup>6</sup> benefit or advantage, <sup>7</sup> or contract payment <sup>8</sup> related to the amount on line 130	+ 148			
Add lines 131 and 148.	= 149			
Subtract line 149 from line 130.	150			
<b>Qualified expenditures</b>				

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

If you entered an amount in column C, provide the following information about the subcontractors that were dealing at arm's length with the taxpayer.

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

Name of subcontractor		Identification number (QST)	
163.1		164.1	
Address		Postal code	Social insurance number
165.1		166.1	
Total amount of consideration		Portion paid during the year	
168.1		169.1	

  

Name of subcontractor		Identification number (QST)	
163.2		164.2	
Address		Postal code	Social insurance number
165.2		166.2	
Total amount of consideration		Portion paid during the year	
168.2		169.2	



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### 3 Qualified expenditures related to all the partnership agreements

Complete this part and parts 4 through 7 on a single copy of the form for all the partnership agreements entered into **by the taxpayer**.

If the taxpayer is claiming the tax credit as a member of a qualified partnership, go to Part 4. In that case, you must complete parts 4 through 7 on a single copy of the form for all the partnership agreements entered into **by the partnership**.

		A Taxpayer	B Non-arm's length subcontractor	C Arm's length subcontractor
Break down the qualified expenditures by entering them in columns A, B and C (total of the amounts on line 150 of all copies of the form completed for the taxation year).	150a			
Amount of reducible expenditures. If you have to complete Part 4, break down the amount from line 190 by entering it in columns A, B and C. (The amount entered in each column must not exceed the amount on line 150a.) If you do not have to complete Part 4, enter 0 in columns A, B and C.	153			
Subtract line 153 from line 150a.	158			
Applicable percentage	159	100%	100%	80%
Multiply line 158 by line 159.	160			

Add the amounts in columns A, B and C on line 160. If the result is negative, enter 0.

Qualified expenditures =

161

H

### 4 Amount of reducible expenditures

**Do not** complete this part if the qualified expenditures for the tax credit (line 130) were incurred, as applicable, by:

- the taxpayer for a taxation year that begins after March 10, 2020, in respect of R&D work conducted after that day;
- the partnership for a fiscal period that begins after March 10, 2020, in respect of R&D work conducted after that day.

If you do not have to complete this part, go to Part 5.

#### 4.1 Exclusion threshold

If the taxpayer's total assets for the previous taxation year or the partnership's total assets for the previous fiscal period,<sup>9</sup> as applicable, are \$50 million or less, enter \$50,000 on line 179. If they are \$75 million or more, enter \$225,000 on line 179. Then do the calculations on lines 179a through 179d.

If the assets are more than \$50 million but less than \$75 million, complete lines 172 through 179d.

Basic exclusion threshold	171	50,000
Taxpayer's total assets for the previous taxation year or partnership's total assets for the previous fiscal period, as applicable	172	
Amount of total assets in excess of which the exclusion threshold increases	173	50,000,000
Subtract line 173 from line 172.	174	
	175	25,000,000
Divide line 174 by line 175.	176	
	177	175,000
Multiply line 176 by line 177.	178	
Add lines 171 and 178.	179	
Number of days in the taxation year <sup>10</sup>	179a	
	179b	365
Divide line 179a by line 179b.	179c	
Multiply line 179 by line 179c.	179d	

Exclusion threshold =



## 4.2 Amount of reducible expenditures

Qualified expenditures incurred in the taxation year or in the fiscal period, as applicable, in respect of which the tax credit for private partnership pre-competitive research may be claimed (total of the amounts in columns A, B and C on line 130 of all copies of this form completed for the taxation year)

181		
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Qualified expenditures incurred in the taxation year or in the fiscal period, as applicable, in respect of which the tax credit for salaries and wages (R&D) may be claimed (total of the amounts in columns A, B and C on line 130 of the copy of form RD-1029.7-V completed for the taxation year)

+ 182

Qualified expenditures incurred in the taxation year or in the fiscal period, as applicable, in respect of which the tax credit for university research or research carried out by a public research centre or a research consortium may be claimed (total of the amounts on line 127 of all copies of form RD-1029.8.6-V completed for the taxation year)

+ 183

Eligible fees or dues paid to a research consortium in respect of which the tax credit for fees and dues paid to a research consortium may be claimed (total of the amounts on line 142 of all copies of form RD-1029.8.9.03-V completed for the taxation year)

+ 184

Add lines 181 through 184.

**Reducible expenditures**

= 185

Enter the amount from line 179d or line 185, whichever is **less**. If the amount on line 185 is less than the amount on line 179d, the taxpayer cannot claim the tax credit for the taxation year.

186		
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**Amount of  
reducible  
expenditures**

Amount on line 186		×	Amount on line 181		▶	Amount of reducible expenditures	
187			188			190	
			189				
			Amount on line 185				

If the taxpayer is claiming the tax credit as a member of a partnership, break down, on line 212f, the amount on line 190. Otherwise, break it down on line 153.

## 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 192 of its RD-1029.8.16.1 form. If the corporation is not associated with any other corporation, enter \$3,000,000 on line 192 of form RD-1029.8.16.1.

Expenditure limit		×	Number of days in the taxation year <sup>10</sup>		▶		
192			193			195	
			194	365 days			

Amount of reducible expenditures (amount on line 190). If you did not complete Part 4, enter 0.

– 196

Subtract line 196 from line 195.

= 197

Enter either amount H or the amount on line 197, whichever is **less**.

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

198		
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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 203 and carry the taxpayer's percentage interest<sup>11</sup> 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 202 and 203, 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.<sup>12</sup>

	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
202	1. Interposed partnership				%
	2. Interposed partnership				%
	3. Interposed partnership				%
203	Qualified partnership				%

Multiply the percentages in column E (line 202). 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 %

### 6.2 Qualified expenditures

Break down the qualified expenditures by entering them in columns A, B and C (total of the amounts on line 150 of all copies of the form completed for the taxation year).

Percentage on line 207

Multiply line 212a by line 212b.

Assistance<sup>13</sup> received by the member of the partnership that is related to the amount on line 212a

Subtract line 212d from line 212c.

Amount of reducible expenditures. If you completed Part 4, break down the amount on line 190 by entering it in columns A, B and C. (The amount entered in each column must not exceed the amount on line 212a.) If you did not complete Part 4, enter 0 in columns A, B and C.

Percentage on line 207

Multiply line 212f by line 212g.

Subtract line 212h from line 212e.

Applicable percentage

Multiply line 213 by line 213a.

	A Partnership	B Non-arm's length subcontractor	C Arm's-length subcontractor
212a			
212b	%	%	%
212c			
212d			
212e			
212f			
212g	%	%	%
212h			
213			
213a	100%	100%	80%
213b			

Add the amounts in columns A, B and C on line 213b. If the result is negative, enter 0.

**Qualified expenditures** = 214 K



13D3 ZZ 49516851

## 7 Tax credit for private partnership pre-competitive research

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 on the return 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 198. Otherwise, go to section 7.1.2.

Maximum increased rate		216	30%
Corporation's total assets <sup>14</sup> for the previous taxation year	217		
Amount of total assets in excess of which the rate reduction applies	218	50,000,000	
Subtract line 218 from line 217. If the result is negative, enter 0.	219		
Applicable rate	220	16%	
Multiply line 219 by line 220.	221		
	222	250,000	
Divide line 221 by line 222.			223 %
Subtract line 223 from line 216.			224 %
<b>Rate reduction =</b>			
<b>Increased rate of the tax credit =</b>			

#### 7.1.2 Tax credit

Complete all of this section if an amount is entered on line 198. Otherwise, enter the amount of the corporation's qualified expenditures (amount H or amount K, as applicable) on line 230 and complete lines 231 through 235.

Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 198)	225		
Increased rate of the tax credit (rate on line 224)	226	%	
Multiply line 225 by line 226.	227		
Qualified expenditures (amount H)	228		
Qualified expenditures giving entitlement to the increased rate of the tax credit (amount on line 225)	229		
Subtract line 229 from line 228. If the result is negative, enter 0.	230		
Applicable rate. Enter 14%.	231	%	
Multiply line 230 by line 231.	232		
Tax credit in respect of assistance, a benefit or an advantage that was repaid in the taxation year concerned and that is related to expenditures incurred in a previous taxation year <sup>15</sup>	233		
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, <i>Déclaration de revenus des sociétés</i> , and enter code 79 in the appropriate box.	235	V	
<b>Tax credit for a corporation =</b>			

### 7.2 Tax credit for an individual

Amount H or amount K, as applicable	241		
Applicable rate. Enter 14%.	250	%	
Multiply line 241 by line 250.	250a		
Tax credit in respect of assistance, a benefit or an advantage that was repaid in the taxation year concerned and that is related to expenditures incurred in a previous taxation year <sup>15</sup>	250b		
Add lines 250a and 250b. 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.	251	V	
<b>Tax credit for an individual =</b>			



## 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, that is, 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;
  - a corporation related to a controlled corporation.

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. The term "public partner" means:
  - an eligible university entity, an eligible public research centre, an eligible research consortium or a public body;
  - a trust, one of the capital or income beneficiaries of which is a person referred to in the first bullet;
  - a corporation that, in the 24 months preceding the partnership agreement (or at any time after that 24-month period determined by the Minister of Revenue), is controlled, directly or indirectly, by a person referred to in the first or second bullet, by a combination of such persons or by a partnership referred to in the next bullet;
  - a partnership of which, in the 24 months preceding the partnership agreement (or at any time after that 24-month period determined by the Minister of Revenue), more than 50% of the interests are held, directly or indirectly, by a person referred to in any of the preceding bullets.

Note that although a public partnership cannot claim the tax credit, it can be part of a private partnership agreement. However, in order to qualify, at least two partners to the agreement must not be public partners.

3. Where all copies of the prescribed form are sent to us within the time allowed (12 or three months, as the case may be) and the certificate required to be able to claim the tax credit has been duly obtained from the Minister of Economy and Innovation, the application for the tax credit will be accepted, even if the copy of the certificate is sent to us after the time allowed for filing the prescribed form. However, your application will not be processed until we receive a copy of the certificate. For more information, contact us.
4. You can include overhead expenditures on line 125 only if the proxy method was not chosen on the copy of form RD-222-V completed for the year concerned. In addition, the overhead expenditures are limited if it is the taxpayer that undertakes the R&D work or if the taxpayer causes such work to be undertaken by a subcontractor not dealing at arm's length with the taxpayer.
5. The proxy amount is not a qualified R&D expenditure. It is only relevant to the calculation of R&D tax credits and is equal to 55% of the wages of the employees directly engaged in the R&D.
6. 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 taxation 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*.
7. 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 taxation 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. See section 1029.8.19 of the *Taxation Act*.

8. 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.
9. Do not take into account the assets of any corporations that, at any time in the taxation year, were associated with the qualified taxpayer.
10. If the taxation year concerned has 357 days or more, enter 365 days.
11. 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.
12. 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 202 (columns A to E), enter the required information about all the interposed partnerships in each group.
  - On line 203 (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).
13. 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*.
14. 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.
15. 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-1029.8.16.1 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.

