



AGREEMENT BETWEEN ASSOCIATED CORPORATIONS TO ALLOCATE SALARY OR WAGES OF SPECIFIED EMPLOYEES FOR SCIENTIFIC RESEARCH AND EXPERIMENTAL DEVELOPMENT (SR&ED)

- Use this form if you are part of a group of associated corporations allocating an amount in respect of salary or wages of a specified employee incurred for SR&ED purposes under subsection 37(9.2) of the *Income Tax Act (ITA)*. In certain cases, subsection 37(9.5) of the *ITA* may deem an individual or partnership to be an associated corporation.
- Under subsection 37(9.3) of the *ITA*, the amount which may be claimed as SR&ED expenditures in respect of salary or wages incurred for a specified employee is the amount allocated among associated corporations. The amount may not exceed five times the year's maximum pensionable earnings (YMPE) for the calendar year in which the tax year ends. The YMPE is set annually under the *Canada Pension Plan*. For example, the YMPE for 2008 is \$44,900 and \$43,700 for 2007. The maximum salary or wages claimable for a specified employee as SR&ED expenditures in tax year 2008 is \$224,500 (5 × \$44,900) and \$218,500 (5 × \$43,700) for 2007.
- If an individual is a specified employee of two or more associated corporations for less than 365 days in a tax year, the maximum amount is to be prorated to reflect the number of days in the tax year that the individual was a specified employee.
- Complete this form for each tax year to which you allocate salary or wages incurred for a specified employee and claim these amounts as SR&ED expenditures. Each associated corporation should file with its tax return, a completed copy of the form, and a certified copy of the resolution of the directors authorizing the agreement, or a Directors' resolution delegating authority to an authorized officer of each corporation signed by the designated authorized officers of each corporation. The Directors' resolution will be in effect for all subsequent years until it is rescinded.
- Where two corporations are owned exclusively by one shareholder, such a transfer signed by authorized officers of each corporation will be accepted provided that a signed confirmation by the shareholder is filed with form T1174 and states that he is the only shareholder of both corporations, and that he has authorized the transfer of the qualified expenditures from one corporation to the other corporation. A Directors' resolution will not be required.
- Attach additional schedules as needed if more than four associated corporations are involved in the allocation. Complete separate forms if there are more than two specified employees for whom you are making an allocation.
- A specified employee, in a particular year, includes an employee who does not deal at arm's length with the employer or who owns directly or indirectly, at any time during the year, 10% or more of the issued shares of any class of the capital stock of the employer or of any corporation related to the employer.

Were copies of the resolutions of the directors submitted in a prior year? Yes No If *no*, see 4th bullet above.

It is hereby agreed that salaries or wages for specified employees be allocated as follows for SR&ED expenditures for tax year 20 ____

Specified employee's name			Social insurance number (SIN)	
Associated corporation's name	Business number	Signature of authorized signing officer	SR&ED salary or wages incurred for specified employee	Allocation of the SR&ED salary or wages limit (5 × YMPE) for specified employee
			\$	\$
Total salary or wages of specified employee for all associated corporations			\$	\$

Specified employee's name			Social insurance number (SIN)	
Associated corporation's name	Business number	Signature of authorized signing officer	SR&ED salary or wages incurred for specified employee	Allocation of the SR&ED salary or wages limit (5 × YMPE) for specified employee
			\$	\$
Total salary or wages of specified employee for all associated corporations			\$	\$