



AGREEMENT AMONG ASSOCIATED CORPORATIONS TO ALLOCATE AN AMOUNT TO CALCULATE THEIR BASE LEVEL DEDUCTION

- For use by associated corporations for the purpose of allocating the amount to be used in the calculation of the corporation's **base level deduction** for a taxation year in accordance with subsection 18(2.3) of the Income Tax Act.
- Under subsection 18(2), for a corporation whose principal business is the leasing, rental or sale, or the development for lease, rental or sale of real property, interest and taxes on vacant land are deductible to the extent of the income from the land (net of other deductions) and the **base level deduction** for the year.
- For a corporation that is a member of an associated group of corporations, the base level deduction for a taxation year is its allocated portion of the amount of interest, calculated at the prescribed rate, in respect of 1,000,000 of debt outstanding throughout the year.
- One completed copy of this agreement signed on behalf of every corporation of the group is to be filed by each corporation of the group with the Corporation's Income Tax Return (form T2) for the taxation year.
- A new agreement is required to be filed in respect of each taxation year. If the agreement is not filed within 30 days after the written notification that such an agreement is required, the allocation will be determined by the Minister.
- Where a corporation has two or more taxation years ending in the same calendar year and is associated with another corporation, paragraph 18(2.5)(a) provides that the corporation's **base level deduction** (before any proration for a short year) for each taxation year is the amount allocated to it for its first such taxation year under subsection 18(2.3).
- Paragraph 18(2.5)(b) requires a proration of the **base level deduction** for any taxation year of less than 51 weeks duration.

Allocation for the taxation year _____

| Name of all Corporations of the Group | Corporation Account/Business Number | Amount Allocated \$ | Signature of Authorized Officer and Position or Office | Date |
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| TOTAL | | | | |

- Attach a schedule if the space is insufficient.