Calculation of Canadian Manufacturing and Processing Profits Deduction (2016 and later tax years)

Corporation's name	Business number	Ta	x year-end	
		Year	Month	Day
				1 .

- Small manufacturing corporations that meet requirements 1 through 4 in Part 1 of this schedule should complete Part 1 only. Corporations that only generate electrical energy for sale or produce steam for sale must complete Part 10 on page 5. All other corporations should complete Part 2.
- All legislative references are to the Income Tax Act and the Income Tax Regulations.
- Income that is eligible for the small business deduction is not eligible for the manufacturing and processing profits deduction.
- See page 7 for notes and definitions to help you complete this schedule.

	Part 1 – Small manufacturing corporations ————————————————————————————————————	
	e notes 1 to 7 on page 7.	
То	qualify as a small manufacturer, you have to meet all of the following requirements:	
1.	your activities during the year were mainly manufacturing or processing in Canada of goods for sale or lease;	
2.	the following calculation totals \$200,000 or less: your active business income minus active business losses for the year [this includes your share of active business income and active business loss for the fiscal period of each partnership of which you were a member at any time in its year (see i) below)] the active business income for the tax year of each Canadian corporation with which you were associated in the year (see ii) below)	100
	Total (line 100 plus line 105) (cannot exceed \$200,000 under section 5201)	110

- 3. you were not engaged at any time during the year in any activities as set out in subsections 5201 (c) to (c.3) of the Regulations; and
- 4. you did not carry on any active business outside Canada at any time during the year.

If you meet requirements 1 through 4, your Canadian manufacturing and processing profits are equal to line 100 above. Enter this amount on line 200 in Part 9.

If you do not meet requirements 1 through 4, complete Part 2 below.

Partnerships and associated corporations

If it applies, please give the following information on a separate sheet of paper attached to this form:

- i) for partnerships give the name, business number, and total income or loss from each active business carried on by each partnership of which you were a member at any time in its tax year; and
- ii) for associated corporations give the name, business number, and total income from each active business for the tax year carried on by each Canadian corporation with which you were associated in the year.

Part 2 – Corporat	ions that do not qualify as small m	anufacturers —————	
Complete this part using all	eligible activities other than generating electri	cal energy for sale or producing steam for sa	ale.
See note 6 on page 7.			
Canadian manufacturing	and processing profits (MP)		
ADJUBI (200)			1 (12)
(Part 3, line 130)	× [MC (Part 5, line 150)	+ ML (Part 7, line 170)	<u>]</u> = (MP)
	C (Part 4, line 140)	+ L (Part 6, line 160)]
Enter amount MP at line 20	0 in Part 9.		



Part 3 – Adjusted business income (ADJUBI)
See notes 1, 3, and 5 on page 7.
Active business income minus active business losses of the corporation for the year [this includes the corporation's share of active business income and active business loss for the fiscal period of each partnership of which the corporation was a member at any time in its year (see i) in Part 1]
Net resource income (amount 8G from Part 8)
Net resource adjustment per subsection 5203(3.1) of the Regulations3B
Excess (amount 3A minus amount 3B, if negative, enter "0") 3C
Refund interest under subsection 5203(4) of the Regulations3D
Subtotal (amount 3C plus amount 3D) 125
Adjusted business income (ADJUBI) (line 120 minus line 125, if negative, enter "0")
— Part 4 – Cost of capital (C)
See notes 3, 5, 8, and 12 on page 7.
Gross cost of the following property that you owned at the end of the year and used at any time during the year:
depreciable assets eligible for capital cost allowance under Schedule II of the Regulations
timber limits and cutting rights (other than a timber resource property)
immovable wood assets (Class 15)
industrial mineral mines
capital expenditures for scientific research and experimental development
Part XVII property4F
Subtotal (total of amounts 4A to 4F) x 10% 4G
Rental cost for the use of property, which would be included in 4A to 4F if it were owned by you at the end of the year
The corporation's share of the amounts that would be determined under amounts 4G and 4H for a partnership of which you were a member at any time in the year4l
Cost of capital (C) (add amounts 4G, 4H, and 4l)
— Part 5 – Cost of manufacturing and processing capital (MC)
See notes 3, 5, and 12 on page 7.
Cost of capital (from line 140, Part 4)5A
The part of amount 5A that reflects the extent to which each property was used directly in qualified activities of the corporation during the year or in qualified activities of a partnership for the fiscal period of a partnership of which you were a member at any time in the year
Cost of manufacturing and processing capital (MC) (amount 5B multiplied by 100 divided by 85, cannot be more than amount 5A)

Part 6 – Cost of labour (L)		
See notes 3, 5, 9, 10, and 12 on page 7.		
Salaries and wages paid or payable to all employees for services performed during the year		6A
Salaries and wages included in 6A that were:		
included in the gross cost of property (Part 4) other than property manufactured and leased during the year to other persons	6B	
related to an active business carried on outside Canada	6C	
related to activities engaged in for the purpose of earning Canadian resource profits under section 5202 of the Regulations	6D	
included in your Canadian or foreign exploration and development expenses	6E	
Subtotal (total of amounts 6B to 6E)	>	6F
Subtotal (amount 6A min	nus amount 6F)	6G
Salaries and wages referred to in amount 6A, minus the deductions in amount 6F for the fiscal period of a partnersh were a member at any time in its year – corporation's share (attach calculation)		6H
Subtotal – salaries and wages (amount 6G p	lus amount 6H)	61
Amounts paid or payable during the year to non-employees for performing functions relating to:		
management and administration	6J	
scientific research and experimental development	6K	
any service or function normally performed by employees of the corporation	6L	
Subtotal (total of amounts 6J to 6L)	>	6M
Amounts included in amount 6M that were: included in the gross cost of property (Part 4) other than property that you have manufactured and leased during the year to other persons	6N	
related to an active business carried on outside Canada	6O	
related to activities engaged in for the purpose of earning Canadian resource profits under section 5202 of the Regulations	6P	
included in your Canadian or foreign exploration and development expenses	6Q	
Subtotal (total of amounts 6N to 6Q)	>	6R
Subtotal (amount 6M mir	nus amount 6R)	6S
Amounts referred to in amount 6M, minus the deductions in amount 6R for the fiscal period of a partnership of whic member at any time in its year – corporation's share (attach calculation)		6T
Subtotal – other payments (amount 6S	plus amount 6T)	6U
Cost of labour (L) (amount 6I plus amount 6U)		
— Part 7 – Cost of manufacturing and processing labour (ML)		
See notes 3, 5, and 12 on page 7.		
Part of salaries and wages (included in amount 6I) that was paid or payable to employees for services directly engage activities of the corporation during the year, or of the partnership during its fiscal period		7A
Part of other payments (included in amount 6U) that was paid or payable to non-employees for performing functions directly related to qualified activities of the corporation during the year or of the partnership during its fiscal period, if	they had been	7B
employees of the corporation or partnership		
Total (amount 7A	plus amount 7B)	7C
Cost of manufacturing and processing labour (ML) (amount 7C multiplied by 100 divided by 75, cannot be more than line 160)	170	

— Part 8 – Net resource income ————————————————————————————————————		
For corporations with resource activities		
See notes 5, 11, and 12 on page 7.		
Resource profits under section 1204 of the Regulations for the year, including your share of resourc partnership under subsection 1206(3) of the Regulations		8A
Amounts included in income under section 59 (other than amounts that were included in calculating share of such amounts as a member of a partnership		8B
Subto	otal (amount 8A plus amount 8B)	8C
Amounts deducted under section 65 (other than amounts that were deducted in calculating resource profits)	8D	
Income from the processing of foreign ore (see note 11 on page 7)	8E	
Subtotal (amount 8D plus amount 8E	 	8F
Net resource income (amount 8C minus amount 8F)		8G
— Part 9 – Manufacturing and processing profits deduction —————		
For eligible corporations that have such profits		
	1	
Canadian manufacturing and processing profits from Part 1 or Part 2, as applicable		
	0.0	
The least of the amounts on lines 400, 405, 410, and 427 of the T2 return (footnote 1)		0.0
Subtotal (line 200 minus amount 9A)		9B
Taxable income from line 360 of the T2 return		9C
The least of the amounts on lines 400, 405, 410, and 427 of the T2 return (footnote 1)	9D	
	0.5	
Aggregate investment income from line 440 of the T2 return (footnote 1)		
line 636 (footnote 2) of the T2 return	9F	
Subtotal (total of amounts 9D to 9F)	——	9G
Subtota	I (amount 9C minus amount 9G)	9H
Lesser of amount 9B and amount 9H	× 13% =	91
Amount 13L if the corporation is also claiming a deduction for generating electrical energy for sale o producing steam for sale		9J
Manufacturing and processing profits deduction (amount 9I plus amount 9J)		9K
Footnote 1: Applies only if you are a Canadian-controlled private corporation throughout the tax yea	r.	
Footnote 2: Calculate the amount of foreign business income tax credit without reference to the corp		n 123.4.
Footnote 3: General tax reduction for the tax year being 13% since January 1, 2012, the equation 1/	(0.38 – X) becomes: 1/(0.38 – 0.1	13) = 1/(0.25) = 4.

Corporations that generate electrical energy for sale or produce steam for sale

A corporation that only generates electrical energy for sale, or produces steam for sale, will need to complete Part 10. If the corporation has other eligible activities besides generating electrical energy or producing steam, it will need to complete Part 2 and Part 10.

Complete Part 10 using all manufacturing and processing profits, including generating electrical energy for sale or producing steam for sale.

Complete Part 2 using all eligible activities other than generating electrical energy for sale or producing steam for sale.

Part 10 – Corp	orations that generate electrical en	ergy for sale	or produce steam for	sale ———	
Canadian manufacturi	ng and processing profits (MPA)				
ADJUBI					
(Part 3, line 130)	x MCA (Part 11, line 205) C (Part 4, line 140)	+ MLA	(Part 12, line 206)] = (MPA)	
	C (Part 4, line 140)	+	L (Part 6, line 160)]	
Enter amount MPA at lii	ne 210 in Part 13.				
Part 11 – Cost	of all manufacturing and processin	g capital (MC	;A) ————		
	ectly in generating electrical energy for sale or p	• • •	•		
See notes 3, 5, and 12	on page 7.	-			
					11A
Cost of capital (from line	e 140)				IIA
	that reflects the extent to which each property ear or qualified activities of a partnership during			•	
	the year				11B
Cost of manufacturing	and processing capital (MCA)	(440)		205	
Enter this amount in Pa	Í by 100 divided by 85, cannot be more than ar rt 10.	mount 11A)			
Part 12 - Cost	of all manufacturing and processin	g labour (ML	A)		
Include labour used dire	ectly in generating electrical energy for sale or p	roducing steam f	or sale.		
See notes 3, 5, and 12	on page 7.				
	ges (included in amount 6I) that was paid or pay ion during the year, or of the partnership during				12A
directly related to qualifi	(included in amount 6U) that was paid or payable dactivities of the corporation during the year of	or of the partners	nip during its fiscal period, if	they had been	12B
employees of the corpo	ration or partnership				
			Total (amount 12A plu	us amount 12B)	12C
Cost of manufacturing	and processing labour (MLA) by 100 divided by 75, cannot be more than lir	20.160)		206	
Enter this amount in Pa		ie 100)			

 Part 13 – Manufacturing and processing p energy for sale or producing stea 		al ———	
For eligible corporations that have profits from generating	ng electrical energy for sale or producing steam	for sale	
Canadian manufacturing and processing profits from Part 10	210		
The least of the amounts on lines 400, 405, 410, and 427 of	the T2 return (footnote 4)	13A	
S	Subtotal (Line 210 minus amount 13A)	>	13B
Taxable income from line 360 of the T2 return		13C	
The least of the amounts on lines 400, 405, 410, and 427	of the T2 return (footnote 4)	13D	
Aggregate investment income from line 440 of the T2 returns			
Foreign business income tax credit deductible at line 636 (footnote 5) of the T2 return			
	Subtotal (total of amounts 13D to 13F)	>	13G
	Subtotal (amount 13C mi	nus amount 13G)	13H
Lesser of amount 13B and amount 13H	·····	13I	
Lesser of amount 9B and amount 9H (footnote 7)	······	13J	
Sul	btotal (amount 13I minus amount 13J)	>	13K
Manufacturing and processing profits deduction for gene (footnote 8) (amount 13K multiplied by 13%)			13L
Footnote 4: Applies only if you are a Canadian-controlled private	vate corporation throughout the tax year.		
Footnote 5: Calculate the amount of foreign business income	tax credit without reference to the corporate tax red	luctions under section 123.4.	
Footnote 6: General tax reduction for the tax year being 13%	since January 1, 2012, the equation $1/(0.38 - X)$ be	ecomes: 1/(0.38 - 0.13) = 1/(0.2	25) = 4.
Footnote 7: Enter "0" if the corporation is only claiming a mar or producing steam for sale.	nufacturing and processing profits deduction for gene	erating electrical energy for sale	Э
Footnote 8: If the corporation is also claiming a manufacturin of Part 9. If the corporation is only claiming the damount 13L on line 616 of the T2 return.	g and processing profits deduction for other eligible leduction for generating electrical energy for sale or		

Notes and definitions

- 1. **Active business**, in relation to any business carried on by a taxpayer resident in Canada, means any business other than a specified investment business or a personal services business.
- 2. Active business income of an associated corporation includes its share of the active business income for the fiscal period of a partnership of which it was a member at any time in the year.
- 3. Fiscal period of a partnership refers to the period coinciding with or ending in the tax year of the corporation.
- 4. Tax year of an associated corporation means any tax year that coincides with or ends in the tax year of the corporation completing this schedule.
- 5. Year means the tax year of the corporation completing this schedule.
- 6. Canadian manufacturing and processing profits is defined in subsection 125.1(3). There is also a definition of manufacturing or processing which lists activities that are not included.
- 7. The term associated corporation has the meaning given by section 256. See the T2 Corporation Income Tax Guide for more information.
- 8. To determine the **cost of capital**, exclude from the gross cost or rental cost, the part that reflects the extent the property was used during the year by the corporation or the partnership (section 5204 of the Regulations):
 - (a) in an active business carried on outside Canada;
 - (b) to earn Canadian investment income or foreign investment income as defined in subsection 129(4) (assuming that the subsection applies also to partnerships);
 - (c) in activities that earn Canadian resource profits as defined in section 5202 of the Regulations; or
 - (d) in activities referred to in items (a), (b), or (e) under the definition of "Canadian exploration and development expenses" in subsection 66(15), items (a) or (b) under the definition of "foreign exploration and development expenses" in subsection 66(15), items (a), (c), (f), or (i) under the definition of "Canadian exploration expense" in subsection 66.1(6), or items (a), (c), or (g) under the definition of "Canadian development expense" in subsection 66.2(5).
- 9. Canadian exploration and development expenses, foreign exploration and development expenses, Canadian exploration expense, and Canadian development expense are defined in subsection 66(15), subsection 66.1(6), and subsection 66.2(5) respectively. Your Canadian or foreign exploration and development expenses include the share of these expenses incurred by a partnership only if you were a member of that partnership at the end of the partnership's fiscal period.
- 10. **Salaries and wages** paid or payable to employees or **amounts** paid or payable to non-employees by a partnership that are included in its Canadian or foreign exploration and development expenses will be excluded from the calculation of the partnership's "Cost of labour" only if these exploration and development expenses can be included in the corporate partner's exploration and development expenses (see note 9 above).
- 11. Section 5203 of the Regulations, **Resource income**, provides that a corporation's income from the processing of foreign ore be excluded from its net resource income (NRI) for the year. Income from foreign ore processing is generally equal to the resource profits for the year less the sum of Canadian resource profits for the year and the earned depletion base at the beginning of the immediately following tax year.

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12. The following terms are defined in the Income Tax Regulations:

ierms	Section or subsection
- Gross cost	5202 and 5204
 Net resource income 	5203(3)
 Qualified activities 	5202
 Rental cost 	5202
 Resource activities 	5203(2)
 Salaries and wages 	5202