

Apprenticeship Training Tax Credit

Reference: section 43.13 of the *(CTA)* and section 8.4.5 of the *Income Tax Act (Ontario)*

Application

This bulletin updates Interpretation Bulletin 3020R1 dated June 2007 to include an additional approved trade.

This bulletin provides general guidelines on the apprenticeship training tax credit (ATTC). It is not a substitute for the legislation contained in the Corporations Tax Act (CTA) and the Income Tax Act (Ontario) (ITA) and their Regulations.

Explanation of Changes

This bulletin reflects changes to the ATTC introduced through Bill 187 which received Royal Assent on May 17, 2007.

Paragraphs 2, 3, 5 and 6: Former paragraphs 2, 3, 5 and 6 have been revised to modify the definition of “eligible expenditure” to include expenditures paid or payable before January 1, 2015.

Paragraph 14: Former paragraph 14 has been revised to modify the definition of a “qualifying apprenticeship” to include an employee who commences employment before January 1, 2012.

Appendix A has been updated to reflect the addition of the 7 approved trades to the list of 117 skilled trades that qualify for the ATTC. Eligibility for the additional 7 trades is retroactive to the dates specified for each.

General

1. The 2004 Ontario Budget announced a new refundable tax credit for corporations and unincorporated businesses employing apprentices in certain skilled trades during the first 36 months of an apprenticeship program. This measure became law on December 16, 2004, when legislative amendments to the CTA and the ITA received Royal Assent.
2. The ATTC reimburses corporations and unincorporated businesses 25 per cent of eligible expenditures paid or payable after May 18, 2004 and before January 1, 2015, up to a maximum tax credit of \$5,000 per qualifying apprentice per taxation year. For corporations and unincorporated businesses that have total salaries and wages for the previous taxation year of \$400,000 or less, the rate of the tax credit is increased to 30 per cent.

How does the tax credit work?

3. For each apprentice in a qualifying skilled trade employed in the tax year by an eligible employer whose total salaries and wages paid in the previous taxation year were:
 - \$600,000 or more, the eligible employer may claim a refundable tax credit equal to the lesser of:
 - i. 25 per cent of the eligible expenditures made during the taxation year in respect of the qualifying apprentice, and
 - ii. \$5,000 x C/D.

How does the tax credit work? (cont'd)

- \$400,000 or less, the eligible employer may claim a refundable tax credit equal to the lesser of:
 - i. 30 per cent of the eligible expenditures made during the taxation year in respect of the qualifying apprentice, and
 - ii. \$5,000 x C/D.
- greater than \$400,000 and less than \$600,000, the eligible employer may claim a refundable tax credit equal to the lesser of:
 - i. a percentage of the eligible expenditures made during the taxation year in respect of the qualifying apprentice as calculated by the following formula:

$$25\% + 5\% \times [1 - E/\$200,000], \text{ and}$$
 - ii. \$5,000 x C/D.

Where,

C = number of days after May 18, 2004 and before January 1, 2015 that the apprentice was employed during the taxation year and that were during the first 36 months of the apprenticeship program

D = 365 days (366 in a leap year), and

E = total of all salaries and wages paid in the previous taxation year in excess of \$400,000.

4. In addition, the eligible employer may claim the amount of government assistance for the apprenticeship it repaid in the taxation year which reduced the amount of the ATTC available in a previous year.

What is an eligible expenditure?

5. Eligible expenditures are salaries and wages, including taxable benefits (i.e., amounts reported on the apprentice's T4 slip) paid or payable to an apprentice in a qualifying skilled trade for services performed by the apprentice for the corporation or unincorporated business after May 18, 2004 and before January 1, 2015.
6. Eligible expenditures also include fees paid or payable to an employment agency by a corporation or unincorporated business for services performed by the apprentice in a qualifying apprenticeship after May 18, 2004 and before January 1, 2015.
7. All eligible expenditures must be for services provided by the apprentice to the eligible employer during the first 36 months of the apprenticeship program. All eligible expenditures must be attributable to an Ontario permanent establishment (place of business) and must be reasonable in the circumstances.
8. An amount is not an eligible expenditure if it was paid for services performed before the apprenticeship contract or training agreement was registered by the Minister of Training, Colleges and Universities, or after the end of the apprenticeship program.
9. Government assistance received in respect of the apprentice will reduce the amount of the expenditure eligible for the credit. Government assistance means assistance in any form from a government, municipality, or other public authority, including a grant, subsidy, forgivable loan, deduction from tax or investment allowance, but does not include:

What is an eligible expenditure?
(cont'd)

- An Ontario innovation tax credit under section 43.3 of the CTA.
- A co-operative education tax credit under section 43.4 of the CTA.
- An Ontario film and television tax credit under section 43.5 of the CTA.
- A graduate transitions tax credit under section 43.6 of the CTA.
- An Ontario book publishing tax credit under section 43.7 of the CTA.
- An Ontario computer animation and special effects tax credit under section 43.8 of the CTA.
- An Ontario business-research institute tax credit under section 43.9 of the CTA.
- An Ontario production services tax credit under section 43.10 of the CTA.
- An Ontario interactive digital media tax credit under section 43.11 of the CTA.
- An Ontario sound recording tax credit under section 43.12 of the CTA.
- An Ontario apprenticeship training tax credit under section 43.13 of the CTA or subsection 8(16.1) of the ITA.
- For corporations, a Canadian film or video production tax credit under section 125.4 of the ITA.
- For corporations, an investment tax credit under section 127 of the ITA.

Who is an eligible employer?

10. Corporations with permanent establishments in Ontario subject to Ontario corporate income tax are eligible.
11. All proprietors filing Ontario personal income tax returns whose unincorporated business has a permanent establishment in Ontario are eligible.
12. A corporation or unincorporated business that pays a fee to an employment agency for the services of an apprentice is deemed to be the eligible employer and to employ the apprentice, not the employment agency. As well, the corporation or unincorporated business is deemed to be participating in the apprenticeship program with the apprentice, not the employment agency.
13. Members of a partnership may share the ATTC for each qualifying apprenticeship. Limited partners are not entitled to this credit; however, the general partners of a limited partnership are entitled to share the credit.

What is a qualifying apprenticeship?

14. A qualifying apprenticeship must meet the following conditions:
 - The apprentice's employment with the corporation or unincorporated business commences before January 1, 2012.
 - The apprenticeship is in a qualifying skilled trade.
 - The eligible employer and the apprentice are participating in an apprenticeship program in which the:

What is a
qualifying
apprenticeship?
(cont'd)

- i. apprenticeship contract is registered by the Minister of Training, Colleges and Universities under the *Trades Qualification and Apprenticeship Act*, or
 - ii. training agreement is registered by the Director of Apprenticeship under the *Apprenticeship and Certification Act, 1998*.
15. A qualifying apprenticeship is deemed to end on the earlier of:
 - a. the date on which the apprentice is entitled to receive the appropriate certificate under the *Apprenticeship and Certification Act, 1998* or the *Trades Qualification and Apprenticeship Act*, or
 - b. the date, if any, on which the training agreement or contract of apprenticeship is cancelled, suspended or revoked by the Ministry of Training, Colleges and Universities.

How do I claim
the tax credit?

16. Corporations may claim the tax credit on Schedule 114 of their CT23 or CT8 tax return. Eligible employers operating unincorporated businesses may claim the credit on Form ON479, *Ontario Credits*, included in their personal income tax return. Members of partnerships claim their share of the credit on their own corporate or personal tax returns.
17. Employers may claim a previous year's tax credit or change the amount previously claimed by requesting an amendment to their tax return. Operators of unincorporated businesses requesting an amendment to a previous tax year should follow the instructions provided in the federal income tax and benefit package or call the nearest Canada Revenue Agency office. A Canadian-controlled private corporation must make its request within four years of the initial assessment of the tax return. Other corporations must make their request within five years of the initial assessment of the tax return. Corporations can find additional information on taxpayer requested adjustments to tax credits in Corporations Tax Information Notice 6009 – **Taxpayer Requested Adjustments to Tax Credits and Incentives**.
18. The tax credit will first reduce Ontario tax payable for the taxation year and any excess will be refunded. The full amount of the credit is considered to be taxable government assistance and is included in income in the taxation year of the claim.

What is a
qualifying skilled
trade?

19. A qualifying skilled trade is an apprenticeship trade that is regulated under the *Apprenticeship and Certification Act, 1998* or the *Trades Qualification and Apprenticeship Act* and has been designated by the Minister of Finance. See **Appendix A** for a list of qualifying skilled trades.

How do
employers
support their tax
credit claims?

20. Although not required to be submitted with their tax return, eligible employers must keep a copy of the training agreement or contract of apprenticeship. The agreement or contract shows that services are provided by the apprentice to the employer, that the apprentice is in a qualifying skilled trade (as identified by the name and code listed in **Appendix A**), and the commencement date of the apprenticeship. For the purposes of the ATTC, the apprenticeship program is deemed to commence on the date the apprenticeship contract or training agreement is registered.

How do employers support their tax credit claims? (cont'd)

21. If the contract or agreement is between the apprentice and a union or a local or joint apprenticeship committee and cannot therefore provide proof that services are provided by the apprentice to the employer, employers should obtain a copy of the contract or agreement from the union or the apprentice when employment begins. This contract or agreement, along with the corporation's or unincorporated business's payroll records, is required to support an employer's claim to the tax credit.
22. If the contract or agreement is between the apprentice and an employment agency, the corporation or unincorporated business should obtain a copy of the contract or agreement from the employment agency or apprentice when employment begins. This contract, together with documentation from the employment agency that sets out the fees paid to the employment agency, is required support for the employer's claim for the tax credit.

What about apprentices who qualify for the Co-operative Education Tax Credit (CETC)?

23. As announced in the 2004 Ontario Budget, the qualifying leading-edge technology component of the CETC has been phased out. Apprentices in the first 36 months of a program that qualified for the CETC may qualify for the ATTC. However, the same expenditures cannot be claimed for both the ATTC and the CETC.
24. Eligible expenditures in respect of apprentices in the first 36 months of a qualifying leading-edge technology program in a work placement beginning after January 19 and before May 19, 2004, and ending after May 18, 2004 qualify for the CETC in respect of services performed by the apprentice before May 19, 2004. Expenditures incurred in respect of services performed after May 18, 2004 are not eligible for the CETC but may qualify for the ATTC. (The January 19, 2004 date is relevant because qualifying work placements are deemed by regulation to be a maximum of four months. If a work placement begins on or before January 19, 2004 it would end before May 19, 2004 and would be eligible for the CETC as a separate qualifying work placement.)
25. The ATTC is available for expenditures otherwise eligible for the CETC, paid to an apprentice in an approved leading-edge technology field in respect of services performed after May 18, 2004, if the corresponding trade code for the apprentice in Appendix 3 of the CETC Bulletin matches with a trade code in **Appendix A** of this bulletin.
26. For more information on the phase-out of the qualifying leading-edge technology component of the CETC, please refer to Interpretation Bulletin No. 3021R – **Co-operative Education Tax Credit in Respect of Ontario Students** dated May 2006.

For More
Information**27. Corporations**

For general enquiries regarding the ATTC, corporations should contact:

Ministry of Revenue
Tax Compliance and Regional Operations Branch
Specialty Assessment Unit
PO Box 629, 33 King St W
Oshawa ON L1H 8X4
Telephone: 905-837-3814 Fax: 905-837-3824

Or visit the ministry website at: www.rev.gov.on.ca

For further information on the phase-out of the leading-edge technology component of the CETC, corporations may contact:

Ministry of Revenue
Tax Advisory Services Branch
Corporations Tax
PO Box 622, 33 King St W
Oshawa, ON L1H 8H5
Telephone: 905-433-6513 Fax: 905-433-6747

28. Unincorporated Businesses

For information on the phase-out of the leading-edge technology portion of the CETC and for general enquiries, unincorporated businesses should contact the Ministry Information Centre toll-free at:

English	1 800 263-7965 (Canada/U.S.)
Français	1 800 668-5821 (Canada/É.-U.)
TTY (Teletypewriter)	1 800 263-7776 (Ontario only)

Or write to the ministry at:

Ministry of Revenue
Tax Advisory Services Branch
Income Tax Related Programs Section
PO Box 624, 33 King St W
Oshawa ON L1H 8H8

Or visit the ministry website at: www.rev.gov.on.ca

29. Apprenticeship Programs

For information on the apprenticeship program including apprenticeship trades, trade codes, and how to register, please contact your local Ministry of Training, Colleges and Universities Field Office, or call 1 888 JOB-GROW.

Appendix A

Service Trades

- 416e Electronic Service Technician
- 630a Micro-Electronics Manufacturer
- 631a Network Cabling Specialist
- 634a Technical Support Agent Information Technology Call Centre (formerly Information Technology Call Centre Agent)**
- 634b Information Technology Hardware Technician (formerly Hardware Info. Tech. Support Analyst)**
- 634c Information Technology Network Technician (formerly Network-Info. Tech. Support Analyst)**
- 634d Information Technology Call Centre Inside Sales Agent***(1)
- 634e Information Technology Call Centre Customer Care Agent***(1)

Motive Power Trades

- 240p Parts Technician
- 282e Powered Lift Truck Technician
- 295a Tire Wheel and Rim Mechanic
- 310b Auto Body Collision Damage Repairer, Branch 1
- 310c Fuel and Electrical Systems Technician
- 310d Transmission Technician
- 310e Alignment & Brakes Technician
- 310g Motorcycle Technician
- 310j Truck Trailer Service Technician
- 310k Automotive Electronic Accessory Technician
- 310q Auto Body Repairer, Branch 2
- 310s Automotive Service Technician
- 310t Truck and Coach Technician
- 410k Motive Power Machinist
- 410n Automotive Painter
- 421a Heavy Duty Equipment Technician
- 421c Turf Equipment Technician
- 425a Agricultural Equipment Technician
- 435a Small Engine Mechanic
- 435b Marine Engine Mechanic
- 274l Automotive Glass Technician
- 690h Recreation Vehicle Technician

Construction Trades

- 237s Pool/Hot Tub/Spa Service Technician
- 237t Pool/Hot Tub/Spa Installer
- 241a Terrazzo Tile & Marble Setter
- 244g Cement Finisher
- 244h Restoration Mason
- 244k Precast Concrete Erector
- 244l Precast Concrete Finisher
- 253a Heat and Frost Insulator
- 296a Native Residential Construction Worker
- 306a Plumber
- 307a Steamfitter
- 308a Sheet Metal Worker
- 309a Electrician-Construction and Maintenance
- 309c Electrician-Domestic and Rural
- 313a Refrigeration & Air Conditioning Systems Mechanic
- 313d Residential Air Conditioning Systems Mechanic (formerly Residential Air Conditioning Mechanic)
- 339a Hoisting Engineer-Mobile 1
- 339b Hoisting Engineer-Tower Crane Operator
- 339c Hoisting Engineer-Mobile 2
- 401a Brick & Stone Mason
- 403a General Carpenter
- 404c Painter & Decorator-Commercial & Residential
- 404d Painter and Decorator-Industrial
- 419a Cement Mason
- 420a Ironworker
- 424a Glazier & Metal Mechanic
- 426a Construction-Millwright
- 427a Sprinkler and Fire Protection Installer
- 428a Construction-Boilermaker
- 434a Lineworker
- 434b Construction Lineworker
- 448a Floor Covering Installer
- 449a Roofer
- 450a Construction Craft Worker
- 451a Drywall Acoustic/Lathing Applicator
- 452a Reinforcing Rodworker
- 453a Drywall, Finisher and Plasterer
- 455a Exterior Insulated Finish Systems Mechanic***(2)
- 636a Heavy Equipment Operator: Tractor Loader Backhoe
- 636b Heavy Equipment Operator: Excavator
- 636c Heavy Equipment Operator: Dozer

Appendix A (continued)

Industrial Trades

200g Precision Metal Fabricator
 207s Electrician: Power House Operator
 225a Optics Precision Lens & Prism Maker
 225f Thin Film Optician*
 239b Tool & Gauge Inspector
 246f Process Operator: Refinery, Chemical, & Liquid
 246r Process Operator - Power***(3)
 246t Process Operator - Food Manufacturing***(4)
 267g Composite Structures Technician
 269e Entertainment Industry Power Technician***(5)
 277z Hydraulic/Pneumatic Mechanic
 289f Electrician (Signal Maintenance)
 429a General Machinist
 430a Tool & Die Maker
 430m Machine Tool Builder and Integrator
 431a Mould Maker
 433a Industrial Mechanic (Millwright)
 437a Metal Fabricator (Fitter) (formerly Fitter (Structural Steel/Plateworker)**)
 438a Cabinetmaker
 442a Industrial Electrician
 443a Pattern Maker
 446a Electric Motor System Technician (formerly Electric Motor Rewind Mechanic)**
 447a Instrumentation and Control Technician (formerly Industrial Instrument Mechanic)
 602c Tool and Cutter Grinder
 602h Roll Grinder/Turner
 609c Packaging Machine Mechanic
 610c Aircraft Maintenance Engineer
 611b Saw Filer/Fitter
 614a Draftsperson-Mechanical Design
 614b Draftsperson-Plastic Mould Design
 614c Draftsperson-Tooling and Die Design
 615a Bearings Mechanic
 616f Fitter Welder
 617a Electrical Control (Machine) Builder
 630b Surface Mount Assembler

630t Tool Maker
 636e Elevating Devices Mechanic
 638a Tractor-Trailer Commercial Driver***(6)
 661h Fitter-Assembler (Motor Assembly)
 670c CNC Programmer*
 670d Die Designer*
 670e Mould Designer*
 255b Facilities Technician
 255w Facilities Mechanic
 259l Locksmith
 268r Railway Car Technician (formerly 268a Carperson)**
 297a Ski Lift Mechanic
 600p Blacksmith
 278b Surface Blaster
 456a Welder
 605b Water Well Driller
 263f Pump Systems Installer/Mechanic
 277m Mould or Die Finisher

* These trades have been approved by the Minister of Finance effective May 1, 2006.

** These trade names have changed, the trade codes remain the same with the exception of 268a which has changed to 268r (Railway Car Technician). Apprentices who are still within the 36 month training period and who are registered under the old trade names are still eligible for the tax credit.

*** ATTC eligibility will be retroactive to the date (indicated below for each trade) that the Ministry of Training, Colleges and Universities introduced the respective apprenticeship program.

(1) August 14, 2006

(2) December 19, 2006

(3) March 2, 2006

(4) March 30, 2007

(5) December 22, 2005

(6) June 12, 2006

Newly developed trades will be eligible if approved by the Minister of Finance.

Ce guide est disponible en français sous le nom « Crédit d'impôt pour la formation en apprentissage n° 3020FR2 ». Vous pouvez en obtenir un exemplaire en appelant le 1 800 668-5821.