

Agency

PART I.3 TAX ON FINANCIAL INSTITUTIONS (2006 and later tax years)

Name of corporation	Business Number	Tax year-end				
		Year	-	Month	Day	
		1 1	1		. 1	

- File this schedule if the total taxable capital employed in Canada of the corporation (a financial institution other than an insurance corporation) and its related corporations is greater than \$10,000,000.
- Even if there is no Part I.3 tax payable for the days in the tax year that are after 2005, you must still complete this schedule (except parts 5 and 9).
- Parts, sections, and subsections referred to on this schedule are from the Income Tax Act and the Income Tax Regulations.
- Subsection 181(1) defines the terms "financial institution," "long-term debt," and "reserves."
- Subsection 248(1) defines the terms "authorized foreign bank" and "Canadian banking business."
- Subsection 181(3) provides the basis to determine the carrying value of a corporation's assets or any other amount under Part I.3 for its capital, investment allowance, taxable capital, or taxable capital employed in Canada, or for a partnership in which it has an interest.
- No Part I.3 tax is payable for a tax year by a corporation that was:
 - bankrupt [as defined by subsection 128(3)] at the end of the year;
 - 2) a deposit insurance corporation throughout the year, as defined by subsection 137.1(5), or deemed to be a deposit insurance corporation by subsection 137.1(5.1);
 - exempt from tax under section 149 throughout the year on all of its taxable income; 3)
 - neither resident in Canada nor carrying on a business through a permanent establishment in Canada at any time in the year; or a corporation described in subsection 136(2) throughout the year, the principal business of which was marketing (including any related 4) 5Ì processing) natural products belonging to or acquired from its members or customers.
- File a completed copy of Schedule 34 with the T2 Corporation Income Tax Return no later than six months from the end of the tax year.
- . This schedule may contain changes that had not yet become law at the time of printing.

Part 1 – Capital

F 4

To be completed by a financial institution other than an authorized foreign bank		
Reserves that were not deducted in computing income under Part I for the year 201		
Add the following amounts at the end of the year:		
Long-term debt		
Capital stock (or members' contributions if incorporated without share capital) 203		
Retained earnings		
Contributed surplus		
Any other surpluses		
Subtotal		А
Deduct the following amounts:		
Deferred tax debit balance at the end of the year		
Any deficit deducted in computing its shareholders' equity (including, for this purpose, the amount of any provision for redeeming preferred shares) at the end of the year		
Any amount deducted under subsection 130.1(1) or 137(2) in computing income under Part I for the year, as long as the amount may reasonably be regarded as being included in any of the amounts determined at lines 201 to 206		
Subtotal	▶	Β
Capital for the year (amount A minus amount B) (if negative, enter "0")	290	
To be completed by an authorized foreign bank		
Add the following amounts at the end of the year for the Canadian banking business:		
10% of the bank's risk-weighted assets and exposures according to OSFI* risk-weighting guidelines, computed as if those guidelines applied	301	
All amounts that are not for a loss-protection facility respecting asset securitization and that the bank would deduct from its capital under OSFI* risk-based capital adequacy guidelines if it was listed in Schedule II to the Bank Act	302	
Capital for the year (line 301 plus line 302)	390	
*Office of the Superintendant of Financial Institutions		

Canada

	Part 2 – Investment allowance
	To be completed by a financial institution that was resident in Canada at any time in the year or by an authorized foreign bank (see note 4 below)
Ac	Id the carrying value at the end of the year of the following eligible investments of the financial institution: 401 All shares of the capital stock of related financial institutions 401 All long-term debts of related financial institutions 404
	vestment allowance for the year 490 any other case, the investment allowance is nil.
No	otes:
1)	A share of the capital stock or long-term debt of another financial institution that is exempt from Part I.3 tax is to be excluded from the carrying value of any eligible investment determined above.
2)	Where a credit union is a shareholder or member of another credit union, the two credit unions shall be deemed to be related to each other.
3)	The eligible investments of the corporation should include only those of related financial institutions that are resident in Canada or are using the proceeds of the share or debt in a business carried on by the related financial institution through a permanent establishment in Canada.
4)	In the case of an authorized foreign bank, its eligible investments should be the amount before the application of risk weights that would be reported under OSFI risk-weighting guidelines. The investments should include only those used or held by the corporation in the year in the course of carrying on its Canadian banking business.

Part 3 – Taxable capital	
Capital for the year (amount from line 290 or 390 on page 1, whichever applies)	С
Deduct: Investment allowance for the year (line 490)	D
Taxable capital for the year (amount C minus amount D) (if negative, enter "0") 500	

— Part 4 – Taxable capital employed in Canada — — — — — — — — — — — — — — — — — —	
The total of all amounts each of which is the carrying value at the end of the year of an asset of the financial institution (other than property held by the institution primarily for the purpose of resale that was acquired by the financial institution, in the year or the preceding year, as a result of another person's default or anticipated default on a debt owed to the institution) that is tangible property used in Canada	511
Add: Where the financial institution has an interest in a partnership at the end of the year, its proportionate share of the total of all amounts, each of which is the carrying value of an asset of the partnership, that is tangible property used in Canada	512
Taxable capital for the year (line 500) Canadian assets at year end (see note below) 611 612 Total assets at year end (see note below) 611 612	650
Taxable capital employed in Canada	690
Note: The terms "Canadian assets" and "total assets" are defined in section 8600 of the Income Tax Regulations.	

— Part 5 –	Calculation of gros	s Pa	art I.3 tax			
			If the tax year starts after 2005, do not comple	ete this part.		
Taxable capit	al employed in Canada	(line	690)			
			e year (enter \$50,000,000 or, for related corporations, le 36)			
Excess of tax	able capital employed ir	ı Ca	nada over capital deduction			
Line 811		x		x 0.002 =	E	Ξ
			Number of days in the tax year			
Line 811		х	Number of days in the tax year in 2005	x 0.00175 =	F	-
			Number of days in the tax year			
	nt I.3 tax rate is reduced e after 2005.	l to ()% for the days in the tax year	Subtotal (add amounts E and F)	G	3
Where the tax	x year of a corporation is	s les	s than 51 weeks, calculate the amount of gross Part I	.3 tax as follows:		
Amount G		x	Number of days in the year () =		н	ł
Gross Part I.	3 tax (amount G or H, v	/hich	never applies)			

Part 6 – Calculation of gros	s Part I.3 tax for purposes of the unused surtax credit	
Taxable capital employed in Canada	(line 690)	I
Deduct: Line 801 above	× 1/5 =	J
	Excess (amount I minus amount J) (if negative, enter "0")	ĸ
Amount K	x 0.00225 =	L
Where the tax year of a corporation in the unused surtax credit as follows:	s less than 51 weeks, calculate the amount of gross Part I.3 tax for purposes of x Number of days in the year () =	M
Gross Part I.3 tax for purposes of	the unused surtax credit (amount L or M, whichever applies)	

Corporations can claim a codit against their Peril 13 fax for the arrown of Canadan suttax equable for the year. This is called the surfax codit. Any under subsection 111 (17) when calculating the amount doductible for a corporation's uncest stark conditis must be applied in order of the object fast. For a corporation that was a non-resident of Canada throughout the year, enter amount a or bat line N. whichever is less: a) line 800 from the 12 return in any other case, enter amount or of dilline 00, whichever is less: a) line 800 from the 12 return in any other case, enter amount or of dilline 00, whichever is less: c) line 800 from the 12 return c) line 800 from the 12 return c) line 800 form 52 horholde 380 c) line 800 form 52 horholde 380 c) line 800 form 52 horholde 380 c) current-year surfax credit swillable (line 801) c) line 800 form 52 horholde 380 c) line 800 form	• Corporations can claim a credit against their Part I.3 tax for the amount of Canadian surtax payable for the year. This		
has been acquired between the year in which the credits arcse and the year in which you want to claim them. For accopration that was a non-resident of Canada throughout the year, enter amount a or b at line N, whichever is less: a) line 600 from the T2 return b) line 700 from the T2 return c) line 820 from Schedule 38) c) line 820 from Schedule 38) <			
a) line 600 from the T2 return inte 660 of lins schedule c		control of the corpor	ation
b) line 200 from the T2 return b N In any other case, enter amount or of at line 0, whichever is less: ine 650 of this schedule = c) line 800 from the T2 return x line 650 of this schedule d) line 700 from the T2 return d O Current-year surtax credit available (amount N or O, whichever applies) Part 8 - Calculation of current-year unused surtax credit Current-year surtax credit available (line 830) Less: Gross Part 1.3 tax for purposes of the unused surtax credit (line 821 of this schedule) Net amount (if negative, enter '0') Part 1 tax payable (line 700 of the T2 return) Deduct: Gross Part 1.3 tax for purposes of the unused surtax credit (line 821 of this schedule) Net amount (if negative, enter '0') Q Current-year unused surtax credit (amount P or Q, whichever is less) Subtolal Part 9 - Calculation of net Part 1.3 tax grapable If the tax year starts after 2005, do not complete this part. Gross Part 1.3 tax (line 820) Subtolal (camount P or Q, whichever is less) If the tax year starts after 2005, do not complete this part. Gross Part 1.3 tax (line 820) Subtolal (camount P or Q, whichever is less) Subtolal (camount A line 600 of Schedule 37. R Part 9 - Calculation of net Part 1.3 tax grapable If the tax year starts after 2005, do not complete this part. Gross Part 1.3 tax (line 820) Subtolal (camount P art 1.3 tax grapable (line 820 or 830, whichever is less) Deduct: Current-year unused surtax credit applied (line 820 or 830, whichever is less) Subtolal (cannot exceed amount on line 820) Subtolal (cannot e			
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Gross Part I.3 tax for purposes of the small business deduction (Amount V x 0.00225)	If the tax year starts after 2005, do not complete this part. Gross Part I.3 tax (line 820) Deduct: Current-year surtax credit applied (line 820 or 830, whichever is less) Unused surtax credit from previous years applied (amount from line 320 on Schedule 37) Subtotal (cannot exceed amount on line 820) Net Part I.3 tax payable (amount R minus amount S) Enter this amount at line 704 of the T2 return. Part 10 – Calculation for purposes of the small business deduction This part is applicable only to corporations that are not associated in the current year, but were associated in the Taxable capital employed in Canada (line 690)	▶ 870 prior year.	S
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