

Part 2 – Calculation of deductions from the base amount

Federal tax payable under Parts I, I.3, and VI (total of lines 700, 704, and 720 from the T2 return)	114		
Provincial and territorial tax payable (line 760 of the T2 return plus Ontario, Quebec, and Alberta taxes payable)	115		
Total tax payable (line 114 plus line 115)			M
Amount M _____ x _____			
Base amount (line 100 on page 1)	116		N
Taxable income earned in Canada (amount A on page 1)			
Non-deductible interests and penalties on federal or provincial income tax payable			O
Allowance for investments in property in Canada claimed for the year (amount from line 223 on page 3)			P
Royalty income or expense in relation to crown resources that increased the base amount and that was not deductible in computing the amount at line 116 or 118			Q
If the corporation disposed of qualified property in the year to a Canadian corporation (referred to as the "purchaser") that was, immediately after the disposition, its qualified related corporation, in return for consideration that includes a share of the purchaser, provide the following details of the disposition:			
Fair market value of the qualified property			R
Deduct:			
Increase in paid-up capital for the shares of the purchaser	121		
Fair market value of the consideration that is not a share	122		
Subtotal (line 121 plus line 122)			S
Excess (amount R minus amount S) (if negative, enter "0")	123		T
Deductions from the base amount (total of amounts N, O, P, Q, and T)			124

Part 3 – Calculation of Part XIV tax payable

Base amount with additions (amount from line 113 on page 1)			U
Less: Deductions from the base amount (amount from line 124 above)			V
Net base amount (amount U minus amount V) (if negative, enter "0")			125
Exemption of accumulated income claimed, based on a tax treaty with certain foreign countries (cannot be more than amount at line 510 below)			500
(Enter the amount from line 500 at line Y below.)			
Taxable base amount (line 125 minus line 500) (if negative, enter "0")			W
Tax rate (tax treaties with other countries may allow a lower rate)			x 25%
Part XIV tax payable			126
(Enter the amount from line 126 at line 728 on page 8 of the T2 return.)			

Part 4 – Continuity of exemption of accumulated income

Tax treaties with certain foreign countries generally provide an exemption on the first \$500,000 of accumulated income.			
Unused exemption of accumulated income at the end of the preceding taxation year (cannot be more than \$500,000) *	510		X
Exemption of accumulated income claimed this year (amount from line 500 above)			Y
Closing balance for the exemption of accumulated income (amount X minus amount Y)			520

* If this is your first return filed, enter \$500,000.

Part 5 – Allowance for investments in property in Canada claimed for the year

This part does not apply to an authorized foreign bank.

Cost amount at the end of the year of land owned in Canada for gaining or producing income from a business carried on in Canada	200 _____	Z
Cost amount immediately after the end of the year of depreciable property owned in Canada for gaining or producing income from a business carried on in Canada	201 _____	AA
Cumulative eligible capital immediately after the end of the year, for each business carried on in Canada, multiplied by 4/3	202 _____	BB
For a corporation other than a principal-business corporation: Canadian exploration and development expenses not deducted in computing income for the year or for a previous year, plus the cumulative Canadian exploration expenses at the end of the year, minus any deductions claimed for the year under subsection 66.1(3)	203 _____	CC
Cumulative Canadian development expenses at the end of the year, minus any deductions claimed for the year under subsection 66.2(2)	204 _____	DD
Cumulative Canadian oil and gas property expenses at the end of the year, minus any deductions claimed for the year under subsection 66.4(2)	205 _____	EE
Debt receivable as a result of the disposition of property described at lines 200, 201, 202, and 209	206 _____	FF
Cost amount at the end of the year of each property (other than a Canadian resource property) described in the inventory for a business carried on in Canada	207 _____	GG
Cost amount at the end of the year of each debt receivable (other than a debt referred to at line 206 or a bad debt) for which an amount has been included in income for the year or for a previous year from a business carried on in Canada, or for a loan made by the corporation where any part of its business carried on in Canada was the lending of money	208 _____	HH
Cost amount at the end of the year of each property of land, depreciable property, or debt receivable that is not included at line 200, 201, or 208; share of a corporation, bond, debenture, bill, note, mortgage, or similar obligation that is not included in the inventory for a business carried on in Canada (see note below)	209 _____	II
Cash balance at the end of the year, plus cost amount at the end of the year, of each bond, debenture, bill, note, mortgage, or similar obligation that was issued by an arm's length person resident in Canada and that matures within one year of acquisition	210 _____	
Total of the cost amount of the property described at line 210 at the end of each month in the year, divided by the number of months in that year, multiplied by 4/3	211 _____	
Allowable liquid assets (line 210 or 211, whichever is less)	212 _____	JJ
Subtotal (total of amounts Z to JJ)	213 _____	KK
Reserves for doubtful debts, certain guarantees, or unpaid amounts deducted in computing income for the year from a business carried on in Canada	214 _____	
Reserves for capital gains deducted in the year for a debt referred to at line 206	215 _____	
Amount owing as a result of an acquisition of property described at lines 200, 201, 207, and 209, an expense made as described at lines 203, 204, and 205, an eligible capital expenditure, or any other expense made that was deducted in computing income for the year or for a previous year, from a business carried on in Canada	216 _____	
Proportion of the amount owing on account of an interest-bearing obligation, equal to the interest paid or payable on the obligation that is deductible, or would otherwise be deductible, in computing income for the year from a business carried on in Canada, divided by the total interest paid or payable on the obligation for the year	217 _____	
Unpaid federal Part I tax, excluding tax on taxable capital gains from the disposition of taxable Canadian property not used or held in the course of carrying on a business in Canada	218 _____	
Unpaid provincial income tax, excluding tax on taxable capital gains from the disposition of taxable Canadian property not used or held in the course of carrying on a business in Canada	219 _____	
Reserves for doubtful debts or certain guarantees, plus the amount owing as a result of an expense made that was deducted in computing income for the year, plus the amount owing for which interest is deductible, all from a source other than a business carried on in Canada or a property situated in Canada (see note below)	220 _____	
Subtotal (total of amounts at lines 214 to 220)	221 _____	▶ _____ LL
Qualified investments in property in Canada (amount KK minus amount LL)	222 _____	
Allowance for investments in property in Canada claimed for the year (cannot be more than amount at line 222)	223 _____	

Enter the amount from line 223 at line 118 on page 2.

Note: Lines 209 and 220 apply to a corporation that was resident in Canada at any time in the year. Draft legislation proposes to repeal paragraphs 808(2)(h) and 808(2)(p) of the *Income Tax Regulations*, which apply to taxation years that begin after 1995 and taxation years that end after November 1991 respectively. This means that if the draft legislation passes into law, lines 209 and 220 will no longer apply.