

Guide for the Partnership Information Return

Includes forms T5014, T5015, T5016,
T5017, and the T5013 Summary

2003

What's new for 2003?

Revised partnership form

We revised Form T5017, *Calculation of Deduction for Cumulative Eligible Capital of a Partnership*:

- **Subsection 14(1.01) election for eligible capital property (other than goodwill) disposed of in the year** – We added a new area at the bottom of page 1 for the partnership election under subsection 14(1.01) to remove the eligible capital property from the cumulative eligible capital pool, and to recognize a capital gain in the year as if the property were an ordinary non-depreciable capital property.

Gifts and contributions made after December 20, 2002

New subsections 248(30) and (31) provide definitions of the **eligible amount of a gift** and the **amount of the advantage** in respect of a gift or contribution.

- **Gifts and contributions made after December 20, 2002** – Only the eligible amount of the gifts or contributions are eligible for non-refundable tax credits for individuals, and deductions for corporations.
- **Capital gains on gifts made after December 20, 2002, to qualified donees of certain securities or of environmentally sensitive land** – If a taxpayer is entitled to an advantage or benefit in respect of a gift, new section 38.1 provides that only part of the taxpayer's capital gain will be entitled to the special 25% inclusion rate.

- **Capital gains reserve for a gift of non-qualifying securities made after December 20, 2002** – For gifts of non-qualifying securities made after December 20, 2002, the capital gains reserve you can claim **cannot** be more than the eligible amount of the gift.

For more information about the new rules for gifts, see our income tax pamphlet P113, *Gifts and Income Tax*.

Political contributions made after December 20, 2002

New subsection 248(31) provides the definition of the **amount of the advantage** in respect of a contribution.

- **Contributions made after December 20, 2002, to registered parties or candidates running for election to serve in the House of Commons of Canada** – Under the new rules, the amount of contribution that is eligible for the federal political tax credit is to be reduced by the amount of any advantage or benefit.

Proposed changes

This guide and forms package includes income tax changes that have been announced, but were not law at the time of printing. Once they become law, they will be effective as of the date indicated. The changes are highlighted in this guide.

At your service

What if you need help?

In this guide, we use plain language to explain the most common partnership income tax situations. If you need more help after reading this guide, call Business Enquiries at **1-800-959-5525**, or contact your tax services office or tax centre. You can find the address and telephone numbers listed in the government pages of your telephone book or on our Web site at www.ccra.gc.ca/tso.

Our Web site

To find more information and most of our publications, visit our Web site at www.ccra.gc.ca.

Where can you get our publications?

Throughout this guide, we mention forms, pamphlets, interpretation bulletins, information circulars, and other guides that give more details on specific tax topics. If you want any of our publications you can:

- visit our Web site at www.ccra.gc.ca/formspubs; or
- call 1-800-959-2221.

Confidentiality of information

Under the *Privacy Act*, the information you give on the *Partnership Information Return* and related forms can be used only for the purposes authorized by law.

Income Tax Act references

In this guide, all legislative references relate to the *Income Tax Act* unless otherwise noted.

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Chapter 1 – General information

This guide contains information and guidelines on how to complete the T5013 Summary, *Partnership Information Return*, the T5013 slip, *Statement of Partnership Income*, the related partnership information forms, and other related forms, for 2003 and later taxation years.

Interpretation Bulletin IT-90, *What Is a Partnership?*, can help you determine if you are in a partnership. For guidance on whether an arrangement is a partnership, see the provincial or territorial law that relates to your situation. We usually accept a decision based on those laws.

Information in Chapter 3 can help you determine if you have to file a *Partnership Information Return*, and gives some guidelines to follow when filing the information return.

Information in Chapter 6 can help you determine the partnership's and the partners' share of income (or loss).

Important reporting information that partners should know – Partners have to use the information from their T5013 information slip, or from the partnership's financial statements if the partnership does not have to file a *Partnership Information Return*, to report their share of partnership income (or loss) on their own returns. Partnership income (or loss) allocated to the partners (e.g., business, rental, investment) keep their source identity. For example, **dividend** income earned by a partnership is **dividend** income of the partner.

Individuals – Partners who are individuals have to calculate their income and expenses from their business activities by using each form listed below that applies to their business activities:

T2124	<i>Statement of Business Activities</i>
T2032	<i>Statement of Professional Activities</i>
T2042	<i>Statement of Farming Activities</i>
T1163	<i>Statement A – CAIS Program Information and Statement of Farming Activities for Individuals</i>
T1164	<i>Statement B – CAIS Program Information and Statement of Farming Activities for Additional Farming Operations</i>
T2121	<i>Statement of Fishing Activities</i>

If the partnership has non-business rental income (or loss) from property, we encourage partners who are individuals to use Form T776, *Statement of Real Estate Rentals*, to report their share of the income (or loss). If partners also own other rental property as proprietors, they will have to combine their share of partnership rental income (or loss) with the total of their own rental income (or loss) after expenses, but before capital cost allowance (CCA). The partners may then claim CCA on their own rental buildings (subject to prescribed rates) only to the extent of the combined rental income, if any.

If the partnership is a tax shelter, a partner who is an individual (other than a trust) has to use Form T5004, *Statement of Tax Shelter Loss or Deduction*, to claim any loss for the year from the tax shelter.

Chapter 2 – Partnership Information Return

Documents you have to include

The *Partnership Information Return* you send us should include the following documents:

- the completed original of the T5013 Summary;
- copy 1 of all related T5013 information slips;
- one copy of the financial statements for the fiscal period;
- one copy of the reconciliation of the partnership's net income (or loss) for income tax purposes; and
- the completed original Form T5015, *Reconciliation of Partner's Capital Account*.

T5013 Summary, *Partnership Information Return*

The T5013 Summary presents an overview of the partnership's operating results for the fiscal period. It also reports the totals of amounts allocated to the partners on the T5013 information slips.

For information about how to complete this form, see Chapter 7 starting on page 24.

T5013 slip, *Statement of Partnership Income*

This is a four-part information slip which gives each partner information about the partnership's operating results for the fiscal period. It includes details about income, losses, and other amounts allocated to the partner.

The boxes on the T5013 information slip report the information that the partners most often need. Partnerships that file a *Partnership Information Return* have to complete a separate T5013 information slip for each partner.

The "Details" area at the bottom of Section 1 of the T5013 information slip is available if you need to provide more information. In some cases, you will have to give the partners more information about the amounts in the boxes so that they can use the amounts correctly when they complete their returns. This includes such items as income from and tax withheld by foreign countries, investment tax credits, and names of provinces and territories for political contributions. Throughout this guide, we tell you when to give more details.

The partners use the information on their T5013 information slip to prepare their annual returns:

- **Individuals** – T1, *Income Tax and Benefit Return*;
- **Corporations** – T2 *Corporation Income Tax Return*;
- **Trusts** – T3 *Trust Income Tax and Information Return*; and
- **Partnerships** – T5013, *Partnership Information Return*.

Note

Throughout this guide, references to "return" include whichever of the above returns applies in the circumstances.

For information about how to complete the T5013 information slips, see Chapter 8 starting on page 27.

Form T5015, Reconciliation of Partner's Capital Account

Use this form to record all the changes in each partner's capital account during the fiscal period and attach the completed form to the T5013 Summary.

Use the accounting information from the partnership's books, records, and financial statements. Do not use information that you have adjusted for income tax purposes.

For information about how to complete this form, see Chapter 10 starting on page 44.

Other documents you have to include with the Partnership Information Return, if they apply

You also have to include the following forms or documents with your *Partnership Information Return*, if they apply:

- the completed original Form T5014, *Partnership Capital Cost Allowance Schedule*;
- the completed original Form T5016, *Summary Information for Tax Shelters That Are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members*;
- copy 2 of the T101 information slips, *Statement of Resource Expense*, received from the principal-business corporation and supporting the amounts on Form T5016;
- the completed original Form T5017, *Calculation of Deduction for Cumulative Eligible Capital of a Partnership*;
- one copy of Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) in Canada*;
- one copy of the schedule showing the partnership's investment tax credit calculations; and
- one copy of any other required documents.

Form T5014, Partnership Capital Cost Allowance Schedule

You have to complete this form and attach it to the T5013 Summary if the partnership:

- is claiming capital cost allowance (CCA); or
- has acquired or disposed of depreciable property in the fiscal period.

Use the form to:

- calculate the amount of CCA the partnership can claim for the period for depreciable property; and
- identify situations where the partnership:
 - has to adjust the balance for a class of assets;
 - has acquired depreciable property; or
 - has disposed of depreciable property that results in a recapture of CCA or a terminal loss.

For information about how to complete this form, see Chapter 9 starting on page 40.

Form T5016, Summary Information for Tax Shelters That Are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members

You have to complete this form and attach it to the T5013 Summary if the partnership:

- is a tax shelter; or
- invested in flow-through shares of a principal-business corporation that:
 - incurred Canadian exploration expenses or Canadian development expenses; and
 - renounced those expenses to the partnership.

For information about how to complete this form, see Chapter 11 starting on page 45.

Form T5017, Calculation of Deduction for Cumulative Eligible Capital of a Partnership

You have to complete this form and attach it to the T5013 Summary if the partnership has assets that are eligible for a cumulative eligible capital amount (CECA deduction).

For information about how to complete this form, see Chapter 12 starting on page 47.

Form T661, Claim for Scientific Research and Experimental Development (SR&ED) in Canada

You have to complete this form and the related schedules, and attach them to the T5013 Summary if your partnership incurred expenditures during the fiscal period for SR&ED carried on in Canada.

Forms that we provide

You can get the forms you need and other publications that give more details on specific tax topics from our Web site, or by calling 1-800-959-2221. See the section on page 2 called "Where can you get our publications?" for our Web site address.

Customized forms

You may want to use your own customized T5013 information slips to provide tax information to the members of your partnership. To get our written approval, send two samples of your proposed computer-printed T5013 information slips to:

Forms Management Division
Publishing Directorate
Canada Customs and Revenue Agency
17th floor, Albion Tower
25 Nicholas Street
Ottawa ON K1A 0L5

For more information, see Information Circular 97-2, *Customized Forms*.

Due dates for filing the *Partnership Information Return*

Annual information return

The due date for filing the *Partnership Information Return* (including distributing the T5013 information slips) depends on the type of partners including end members of a tiered partnership. See the definition of **end member** on page 16. Send the recipients' copies of the T5013 information slip to their last known address or deliver them in person. You have to do this no later than the day you have to file the *Partnership Information Return*.

All partners are individuals – If, throughout the fiscal period, all the members of the partnership are individuals (we consider a trust to be an individual), including end members of a tiered partnership, you have to file your *Partnership Information Return* no later than March 31 after the calendar year in which the fiscal period of the partnership ended.

All partners are corporations – If, throughout the fiscal period, all the members of the partnership (including end members of a tiered partnership) are corporations (including a **corporate partnership that is a tax shelter**), you have to file your *Partnership Information Return* no later than five months after the end of the partnership's fiscal period.

Partnerships that are tax shelters – Partnerships (including professional corporate partnerships, but not including other corporate partnerships) that are tax shelters, or whose expenditures made in the course of carrying on the business are or were primarily the cost or capital cost of tax shelter investments, cannot have an off-calendar fiscal period and have to file a *Partnership Information Return* no later than March 31 after the calendar year in which the fiscal period of the partnership ended.

Any other partnership – If the members of the partnership (including end members of a tiered partnership) are a combination of individuals (including trusts) and corporations, and the partnership is **not** a tax shelter, you have to file your *Partnership Information Return* no later than the **earlier** of:

- March 31 after the calendar year in which the fiscal period of the partnership ended; or
- the day that is five months after the end of the partnership's fiscal period.

Final information return

If a partnership discontinues its operations on or before the usual end of its fiscal period, you have to file any outstanding *Partnership Information Returns* no later than the **earlier** of:

- the day that is 90 days after the date the partnership discontinued all business or activity; or
- the date the partnership would otherwise have had to file a *Partnership Information Return* if it had not discontinued all business or activity.

Example

Aurora Polaris is a partnership that has six partners who are all individuals. The usual fiscal period ended January 31, 2003. On June 30, 2003, Aurora Polaris discontinued its business and ceased to exist.

Under ordinary circumstances for the usual fiscal period ending January 31, 2003, Aurora Polaris would have filed the *Partnership Information Return* no later than March 31, 2004.

However, since the partnership discontinued its business and ceased to exist on June 30, 2003, it had two reporting periods ending in the 2003 taxation year. As a result, it had to file two *Partnership Information Returns*, both due on **September 28, 2003** (90 days after June 30, 2003), as follows:

- one for the full fiscal period ending January 31, 2003; and
- one for the short fiscal period from February 1 to June 30, 2003.

If the partnership has ended, each partner who is an individual can elect to have a fiscal period end on the usual date, as if the partnership had not ended. This special election is available under subsection 99(2). However, the election does not affect the due date for the *Partnership Information Return*.

For more information, see interpretation bulletin IT-179, *Change of Fiscal Period*.

Date when we consider the *Partnership Information Return* to be filed

If you deliver a *Partnership Information Return* to your tax services office or tax centre, we date-stamp it and consider it to be filed on the day you delivered it.

If you mail the *Partnership Information Return*, we consider it to be filed on the date the envelope is postmarked.

If the filing deadline for the *Partnership Information Return* falls on a Saturday, Sunday, or statutory holiday, we consider the *Partnership Information Return* to be filed on time if you deliver it on, or if the postmark on the envelope is, the first working day after the due date.

We will assess penalties if you file a *Partnership Information Return* late. See the section called "Penalties" on page 10.

Distributing the forms

For the Canada Customs and Revenue Agency – With the *Partnership Information Return* you send to us, include the documents listed in the section called "Documents you have to include" on page 4.

You may also have to include the documents listed in the section called "Other documents you have to include with the *Partnership Information Return*, if they apply" on page 5.

You have to file the *Partnership Information Return* no later than the due date specified in the section called "Due dates for filing the *Partnership Information Return*" earlier on this page.

For the members of the partnership – Send each partner copies 2 and 3 of the T5013 information slip to the partner's

last known address, or deliver them in person. You have to do this on or before the day you have to file the *Partnership Information Return*.

The text on the back of copies 2 and 3 of the T5013 information slip gives the partner more instructions on how to use the information.

For the partnership – For the partnership’s records, keep copy 4 of the T5013 information slip, as well as a copy of all attachments that you send with the *Partnership Information Return*.

Where to send the *Partnership Information Return*

Mail or deliver the *Partnership Information Return* to:

Data Assessment and Evaluation Programs Division
Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

How to correct your *Partnership Information Return*

If you discover an error in your *Partnership Information Return* after filing it, send us a letter explaining the error along with the necessary T5013 information slips and a new T5013 Summary, as explained below. Send these documents to the Ottawa Technology Centre at the address later on this page in the section called “Where to send amended, additional, or cancelled forms and the *Partnership Information Return*.”

Do not adjust any current-year forms for errors made in a previous year.

If the error affects the net income (or loss) of the partnership, amend the previous year’s documents and issue amended T5013 information slips to the partners. The partners should ask us to adjust their returns for the previous year. These types of errors can affect the partner’s tax payable for the previous year.

Changes to the T5013 information slips

If you prepare amended, additional, or cancelled T5013 information slips, send our copies of the information slips and any other forms, with a covering note explaining the changes, to the Ottawa Technology Centre.

Amended T5013 information slips – If you have to change some of the data on a T5013 information slip for a certain partner, prepare another one changing only the required entries (do **not** change the amounts in the other boxes). Clearly print the word AMENDED at the top of the revised information slip and send two copies to the recipient.

Additional T5013 information slips – If you prepare an additional T5013 information slip for a partner, clearly print the word ADDITIONAL at the top of the information slip and send two copies to the recipient.

Cancelled T5013 information slips – If you issued a T5013 information slip by mistake and you want to cancel it, prepare another one with the same data as on the original T5013 information slip. Clearly print the word

CANCELLED at the top of the information slip and send two copies to the recipient.

Duplicate T5013 information slips – If you issue a T5013 information slip to replace one that a partner has lost or destroyed, prepare another one with the same data as on the original information slip. Clearly print the word DUPLICATE at the top of the replacement T5013 information slip and send two copies to the recipient. You do not have to send us our copies of the duplicate T5013 information slips.

Changes to forms T5014, T5015, T5016, and T5017, and to other documents

If you **change** data on any form or document, enter all the financial data in the same way as on the original except for the areas that you are changing. Clearly print the word AMENDED at the top of the form.

Changes to the T5013 Summary

If you prepare amended, additional, or cancelled T5013 information slips, or other amended forms, and you **are also changing** the information on the T5013 Summary, you have to file an amended T5013 Summary. Clearly print the word AMENDED at the top of the T5013 Summary. You should also include a written explanation of the changes you have made.

If you prepare amended, additional, or cancelled T5013 information slips, or other amended forms, and you **are not changing** the information on the T5013 Summary, you do not have to file an amended T5013 Summary. Simply send our copies of the T5013 information slips and any other forms, with a covering note explaining the changes, to the Ottawa Technology Centre.

We do not need another T5013 Summary for duplicate T5013 information slips.

Where to send amended, additional, or cancelled forms and the *Partnership Information Return*

Mail or deliver these forms and the *Partnership Information Return* to:

Data Assessment and Evaluation Programs Division
Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

Chapter 3 – Requirements

Partnership’s filer identification number

If your partnership has to file a *Partnership Information Return*, your partnership has to have a filer identification number. You do not have to apply for the filer identification number – we will automatically assign one to you when you file your first *Partnership Information Return*. About three weeks after you send us your first *Partnership Information Return*, we will send a letter to the address on the *Partnership Information Return* notifying you of the

partnership's filer identification number. This is a nine-character number consisting of two alphabetic characters (i.e., **AA**, **CA**, **GA**, **HA**) followed by seven numeric characters. Use that number on the next *Partnership Information Return* that you file.

Note

All the partnership filer identification numbers that we issued after 1992 start with the alphabetic characters **HA**.

We assign each partnership a unique filer identification number. A partnership can have only **one** filer identification number.

Note

If you change the name of the partnership, you should still use the original filer identification number. When you file the first *Partnership Information Return* after the name change, you should enter the new name followed by the previous name in brackets. If you do not indicate that a name change has taken place and do not enter the partnership's original filer identification number, we may issue another filer identification number. If this happens, write and tell us the partnership's original and new names, and the original filer identification number that applies to the partnership.

You should include the partnership's filer identification number on:

- the T5013 Summary, *Partnership Information Return*, and all schedules;
- the T5013 information slips and all financial statements issued to the partners;
- any other forms that you file with the *Partnership Information Return*; and
- all related correspondence you send to us.

Form T5011, Application for a Partnership's Filer Identification Number

If your partnership does not have a filer identification number and you need one before you file your first *Partnership Information Return*, use Form T5011, *Application for a Partnership's Filer Identification Number*, to apply for one. You can find this application form on our Web site.

Provide all the information we ask for when you complete the application form, and send the completed form to:

Data Assessment and Evaluation Programs Division
Ottawa Technology Centre
875 Heron Road
Ottawa ON K1A 1A2

About three weeks after you send us your completed application form, we will send a letter to the address on the form notifying you of the partnership's filer identification number. Use that number when you file your *Partnership Information Return*.

Partnerships that have to file a Partnership Information Return

Partnerships that carry on business in Canada

A partnership that carries on a business in Canada, or a Canadian partnership with Canadian or foreign operations or investments, has to file a *Partnership Information Return* for each fiscal period of the partnership if it:

- has six or more partners at any time during the fiscal period;
- is a tiered partnership (a partnership which has a partner that is itself a partnership); or
- invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership.

For definitions of the terms **partnership**, **Canadian partnership**, and **tiered partnership**, see page 17.

Example 1

Partnership is a tiered partnership (Serengeti Enterprises)

Serengeti Enterprises is a Canadian partnership with two partners: Mr. Sawyer and Phoebe Properties. Each partner has a 50% interest in Serengeti Enterprises. Phoebe Properties is itself a partnership carrying on a business in Canada.

For the fiscal period ending December 31, 2003, Serengeti Enterprises had a net income of \$760,000. The partnership allocated \$380,000 to each partner under the partnership agreement.

Serengeti Enterprises has to file a *Partnership Information Return* and give each partner a T5013 information slip because one of its two partners is a partnership.

Example 2

Partnership is not a tiered partnership and has less than six partners (Phoebe Properties)

Phoebe Properties has four partners: two individuals, a corporation, and a trust. Each partner has a 25% interest in the partnership.

For the fiscal period ending December 31, 2003, Phoebe Properties had a net income of \$860,000 from its own operations. It allocated \$310,000 to each partner under the partnership agreement (\$95,000 from Serengeti Enterprises plus \$215,000 from Phoebe Properties).

Phoebe Properties does not have to file its own *Partnership Information Return* because it has **less** than six partners throughout the fiscal period and none of those partners is a partnership.

Options for Phoebe Properties in advising its partners of their share of net income

Phoebe Properties has two options for advising its four partners of their part of the net income (which includes the

\$380,000 reported on a T5013 information slip issued to Phoebe Properties by Serengeti Enterprises):

Option 1 – Phoebe Properties can give each of its partners a set of financial statements for the fiscal period.

Option 2 – Phoebe Properties can complete a *Partnership Information Return* voluntarily and allocate \$310,000 to each partner on a T5013 information slip (which includes the \$95,000 from Serengeti Enterprises plus \$215,000 from Phoebe Properties).

Partner's reporting responsibilities for Examples 1 and 2

- Partners who are **individuals** have to complete Form T2124, *Statement of Business Activities*, using the information from the financial statements, or T5013 information slip, and following the instructions in our income tax guide T4002, *Business and Professional Income*. The partners who receive a T5013 information slip have to include the information slip with their return.
- Partners that are **trusts** can choose to use Form T2124. Partners that are trusts who choose not to use this form have to include a set of the financial statements, or the T5013 information slip, with their returns.
- Partners that are **partnerships** have to include the amounts in their financial statements and provide copies to their members or, if required, file a *Partnership Information Return* and provide T5013 information slips to their members.
- Partners that are **corporations** have to use the *General Index of Financial Information (GIFI)* to report their financial information. They have to file a copy of the partnership financial statements with their returns.

Investment clubs on the modified partnership basis

An investment club that has six or more members, and elects to file on the modified partnership basis, has to file a *Partnership Information Return*. For more information about the reporting requirements for investment clubs that elect to file on the modified partnership basis, see Information Circular 73-13, *Investment Clubs*, and its Special Release.

Limited partnership and flow-through shares

A limited partnership may have invested:

- **only** in flow-through shares; or
- in flow-through shares **and** also in other property.

As a result of the partnership's investment in flow-through shares, the partnership may or may not have the following renunciations to allocate to the partners:

- renounced resource expenses;
- reductions to amounts previously renounced; and
- amounts of assistance.

In each of the above situations, the partnership has to file a *Partnership Information Return* for the applicable fiscal period.

Responsibility for filing

Once you determine that your partnership has to file the *Partnership Information Return*, each member of the partnership is responsible for making sure that a *Partnership Information Return* is filed for each fiscal period of the partnership.

You only need to file one *Partnership Information Return* for each fiscal period of the partnership. Any partner can do this for the other partners. The partner who is filing the *Partnership Information Return* for all the members of the partnership is the authorized partner. Once one partner files a *Partnership Information Return*, we consider all partners to have filed it.

Partnerships that do not have to file a Partnership Information Return

The following partnerships are exempt and do not have to file a *Partnership Information Return*.

Five partners or less

A partnership with five partners or less throughout the fiscal period does not have to file a *Partnership Information Return* if:

- **none** of the partners is another partnership; and
- it did **not** invest in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership.

Status Indians

When **all** members of a partnership are status Indians, and the partnership earns **all** its income at its permanent establishment on a reserve, the partnership does not have to file a *Partnership Information Return*.

If the partnership has any income earned off the reserve and the income is **not** exempt from tax, the partnership may have to file a *Partnership Information Return*. See the section called "Partnerships that carry on business in Canada" on page 8.

For more information about income that is exempt from tax under statutory exemptions, see paragraph 2 in Interpretation Bulletin IT-397, *Amounts Excluded From Income – Statutory Exemptions and Certain Service or RCMP Pensions, Allowances and Compensation*, and paragraph 1 in its Special Release.

Receipts

Generally, the partnership does not have to send us official receipts with the *Partnership Information Return*. However, the partnership has to keep the official receipts with its other books and records in case we ask to see them.

Based on the T5013 information slip, we will process the partners' claims for:

- charitable donations and government gifts;
- cultural and ecological gifts;
- political contributions;

- income taxes; and
- foreign business activity and non-business taxes.

Note

If the partnership donated cultural or ecological gifts, you have to send us the official certificate with the *Partnership Information Return*.

Books and records

Operating books and records

The partnership has to keep sufficient records and books of account to allow us to verify income (or losses) and other amounts that the partnership allocated to the partners. These books and records should include:

- invoices, receipts, and other documents to support daily transactions;
- a written or other day-to-day record of those transactions;
- official receipts to support charitable donations, Crown (government) gifts, gifts of cultural property, gifts of ecologically sensitive land, and contributions to registered federal, provincial, and territorial political parties;
- an annual inventory, if it applies, that is kept in prescribed manner; and
- documentation to support any claim that scientific research and experimental development (SR&ED) was performed. For more information, see our income tax guide T4088, *Claiming Scientific Research and Experimental Development Expenditures – Guide to Form T661*.

Permanent records

Some records are permanent and relate to the continuing operations of the partnership from year to year. These include the following:

- a general ledger or other books of final entry;
- special contracts or agreements needed to understand the entries in the general ledger, including contracts related to acquiring and disposing of partnership property;
- a separate permanent record of assets; and
- the partnership agreement.

Retention period

The partnership has to keep operating books and records for at least six years after the end of the last fiscal period to which they relate.

Permanent records generally have to be kept for six years after the date the partnership ends its operations.

For permission to destroy any books or records before the end of the six-year period, use Form T137, *Request for Destruction of Books and Records*, or send a written request to the director of your tax services office. You can find more information in Information Circular 78-10, *Books and Records Retention/Destruction*.

Review and audit

We conduct in-depth reviews or audits of partnership information returns that are filed, including the supporting books and records.

Some of our officials are authorized to examine or audit partnership records. Our officials will show you an identification card before beginning a review. This protects the partnership and its partners from unauthorized people gaining access to confidential information. You can find more information on the audit process in Information Circular 71-14, *The Tax Audit*.

If you want us to contact an independent representative (such as an accountant or lawyer) about the audit, you have to authorize us to do so. For more information, see the section called “Giving or cancelling an authorization” on page 61.

Chapter 4 – Penalties, interest, and use of the social insurance number (SIN)

Penalties

Late-filing penalty

Partnership – If you file a *Partnership Information Return* or any other information return late, the partnership is liable for each failure to a penalty of \$25 a day for each day it is late, from a minimum of \$100 to a maximum of \$2,500. The partnership has to pay this penalty.

The partnership may also be subject to a reduced late-filing penalty if we have assessed the partnership a penalty for failure to file an information return relating to foreign affiliates in respect of transfers or loans to a non-resident trust, or in respect of distributions from and indebtedness to a non-resident trust.

Partners – Each partner is also subject to a penalty if they distribute any information slips late to the recipients. Each partner is subject to a penalty of \$25 a day for each day slip distribution is late, from a minimum of \$100, to a maximum of \$2,500.

Failing to file a *Partnership Information Return*

Partnership – We can also assess the partnership a further penalty of \$100 for each member of the partnership multiplied by the number of months or part-months (to a maximum of 24 months), during which the *Partnership Information Return* is not filed. This further penalty will apply if the following conditions are met:

- We have already assessed the partnership the basic penalty for failing to file for that fiscal period.
- We have formally demanded the *Partnership Information Return* from a partner for that fiscal period.
- We have assessed the partnership a penalty for filing a *Partnership Information Return* late in any of the three preceding fiscal periods.

Partners – If no member of the partnership files a *Partnership Information Return* as required under the *Income Tax Act* or *Income Tax Regulations*, each partner may be guilty of an offence. If convicted, in addition to any other penalty, each partner could be liable to:

- a fine from \$1,000 up to \$25,000; or
- both a fine from \$1,000 up to \$25,000, and imprisonment up to 12 months.

Failing to provide the tax shelter identification number

We can assess a penalty of \$100 for each failure if the tax shelter identification number is missing on a form.

Providing an incorrect tax shelter identification number

If you give an incorrect tax shelter identification number, you may be guilty of an offence and, if convicted, liable to:

- a fine from 100% up to 200% of the cost of the tax shelter interest;
- imprisonment up to 2 years; or
- both a fine and imprisonment.

This fine is in addition to any other penalty we assess.

Failing to provide SINs or other information

We can assess penalties for each failure if information is missing on a form. Penalties for failing to give SINs and other information also apply to the partners.

Partnership – Anyone who prepares a *Partnership Information Return* or any other information return has to make a reasonable effort to get the necessary information, including identification numbers, from the individuals, corporations, or partnerships resident in Canada who will receive the information slips. If you do not do this, the partnership and each partner may be liable for each failure to a \$100 penalty. The penalty does not apply if an individual has applied for, but has not yet received, a SIN when the partnership files the information return.

Partners – Persons or partnerships resident in Canada have to give their SIN or Business Number on request to anyone who has to prepare an information slip for them. A person or partnership that does not comply with this requirement is subject to a \$100 penalty for each failure.

A person or partnership that does not have an identification number has 15 days from the date of an information request to apply for one. After receiving the identification number, the person or partnership has 15 days to provide it to the person who is preparing the information slip.

An individual who does not have a SIN can apply for one at any Human Resources Development Canada office. An individual under 18 years of age at the end of the taxation year to which the information return relates does not need to provide a SIN if that individual's total income for the year will be \$2,500 or less.

For more information, see Information Circular 82-2, *Social Insurance Number Legislation That Relates to the Preparation of Information Slips*.

Using an identification number

If you have to prepare an information return, or if you are an officer, employee, or agent of someone who does, you cannot knowingly use or communicate an identification number, or allow it to be communicated, other than as required or authorized by law or for the purpose for which it was provided, without the written consent of the individual or partnership.

If you are convicted of using an identification number for unauthorized purposes, you are liable to:

- a fine up to \$5,000;
- imprisonment up to 12 months; or
- both a fine and imprisonment.

Interest on penalties

We charge interest, compounded daily at a prescribed rate, on the total amount of penalties and interest outstanding. Both interest and penalties are payable to the Receiver General for Canada.

Cancelling or waiving penalties and interest

We may cancel, reduce, or waive penalties and interest if you file the *Partnership Information Return* late or distribute information slips to recipients late because of circumstances beyond your control. If this happens, include a letter with the *Partnership Information Return* explaining why it is late. For more information, see Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

Notice of Assessment

We will issue a *Notice of Assessment* for the *Partnership Information Return* only if we apply a penalty.

If you want us to acknowledge that we have received your *Partnership Information Return*, include with your *Partnership Information Return* two copies of a letter asking for an acknowledgement. The letter should include your partnership's name and filer identification number, as well as a blank area for acknowledgement. We will date-stamp one copy of the letter and return it to you.

Chapter 5 – Glossary and additional information

We have provided the following definitions and additional information for your reference. You can find more information about some of the subjects in other related income tax guides:

T4037 *Capital Gains*

T4036 *Rental Income*

- T4002 *Business and Professional Income*
 RC4015 *Reconciliation of Business Income for Tax Purposes*
 T4003 *Farming Income*
 RC4060 *Farming Income and the CAIS Program*
 T4004 *Fishing Income*

Also see our interpretation bulletins, information circulars, and the *Income Tax Act*.

See page 60 for the index of terms we define in this glossary.

Adjusted cost base (ACB) of a partnership interest

If your partnership is a limited partnership, you need to know the adjusted cost base (ACB) of each limited partner's interest in the limited partnership before you can calculate the limited partner's at-risk amounts that you have to report on the T5013 information slip.

In most cases, the ACB of an interest in the partnership is not the same amount as the original cost of that interest. Therefore, you have to adjust the cost to calculate the ACB.

The adjustments to an interest in a partnership are covered in paragraphs 53(1)(e) and 53(2)(c). The items listed in the following description of a partner's ACB only reflect some of the more common additions and subtractions for the ACB calculation.

Generally, a partner's ACB at any time is that partner's original cost of the partnership interest:

plus

- the partner's share of income from all previous fiscal periods since the partner acquired the partnership interest;
- the partner's share of any capital dividends and life insurance capital dividends the partnership received before that time;
- the partner's additional capital contributed since the partner acquired the partnership interest; and
- the partner's negative ACB amount since the partner acquired the partnership interest, and which we consider to be a gain from a disposition before that time under subsection 40(3.1), or paragraph 98(1)(c) or 98.1(1)(c);

minus

- the partner's share of losses, investment tax credits (subsection 127(5)), and resource deductions (section 66) from all previous fiscal periods since the partner acquired the partnership interest;
- the partner's withdrawals from the partnership since the partner acquired the partnership interest;
- the partner's limited partnership loss to the extent that the limited partner deducted the loss; and
- for certain limited partners or specified members, the amount of any non-recourse debt that can reasonably be considered to have been used to acquire the partnership interest that is not a tax shelter investment.

For more information, see the following interpretation bulletins:

- IT-338 *Partnership Interests – Effects on Adjusted Cost Base Resulting From the Admission or Retirement of a Partner*
 IT-353 *Partnership Interest – Some Adjustments to Cost Base*
 IT-430 *Life Insurance Proceeds Received by a Private Corporation or a Partnership as a Consequence of Death*

Cost of a partnership interest that is a tax shelter investment

When the partnership interest is a tax shelter investment, section 143.2 reduces the cost (the expenditure) of the tax shelter investment by the total of all limited-recourse amounts that relate to the expenditure, the at-risk adjustment for the expenditure, and any other amounts that can reasonably be considered to relate to the expenditure.

We may consider the unpaid principal of an indebtedness to be a limited-recourse amount if, among other circumstances, interest is not charged and paid within 60 days after year-end, or where arrangements in writing to repay the principal and interest within a reasonable period of time were not made at the time the indebtedness arose.

At-risk amount

The at-risk rules apply to limited partners as defined in subsection 96(2.4). These rules generally limit the amount of loss the limited partners can claim to the amount of the actual capital at risk.

You have to calculate the limited partners' at-risk amount (as defined in subsection 96(2.2)) and enter it in box 45 of the T5013 information slip.

In simplified terms, a limited partner's at-risk amount is:

- the adjusted cost base (ACB) of the limited partner's interest in the partnership at that time;

plus

- any partnership income allocated to the limited partner for the fiscal period;

minus

- any amount that the limited partner owes to the partnership (other than any such amount deducted under subparagraph 53(2)(c)(i.3) in calculating the ACB of the limited partner's interest in the partnership, or under section 143.2 in calculating the cost of that partnership interest); and
- any amount or benefit the limited partner, or a person not dealing at arm's length with the limited partner, is entitled to get in any form or manner, immediately or in the future and absolutely or contingently, to reduce the impact of any loss to the partnership interest.

Cost of a limited partner's interest when the limited partner is not the first owner of the interest

For the at-risk calculation, if the limited partner buys the limited partnership interest on the secondary market, calculate the ACB of that partnership interest as if the cost of the interest to the limited partner is whichever of the following amounts is **less**:

- the cost otherwise determined; or
- the ACB (not less than nil) of the selling limited partner.

Negative ACB of a partnership interest

Limited and certain other partners have to report, as a capital gain, any negative ACB in their partnership interest at the end of a fiscal period of the partnership.

This rule extends the existing limited partnership at-risk rules which restrict the amount of losses that can be allocated to an investor. In particular, the rule ensures that partners cannot circumvent the at-risk rules by allocating partnership losses before making distributions. Therefore, such partners will no longer be able to extract, tax free, more than the ACB of their interest in the partnership.

Calculating the partner's limited partnership loss

You need to know the limited partner's at-risk amount to calculate the loss amounts you have to enter in boxes 18, 20, and 31, and you have to show the partner's at-risk amount in box 45 of the T5013 information slip.

Calculating the at-risk amount can be very complex – you have to consider many rules, and you need to know the ACB of the limited partner's interest in the partnership.

Examples

Here are two examples that show you how to calculate a limited partnership loss and the at-risk amount (subsections 96(2.1) and 96(2.2)). These examples do not include every type of adjustment that you may have to make.

1. Positive adjusted cost base

In this case, the limited partner's:

- positive ACB at the end of the fiscal period is \$50,000;
- share of the partnership's business loss (**not** a farming business) is \$240,000;
- share of the partnership's net rental loss from property is \$5,000;
- share of the partnership's capital gain is \$40,000;
- investment tax credits and farming losses are nil;
- resource expenses – Canadian exploration expenses (CEE) are \$10,000 (in this case, these are **not** renounced resource expenses);
- amounts owing to the partnership as described in paragraph 96(2.2)(c) are nil;

- guarantees given as described in paragraph 96(2.2)(d) are nil; and
- resource assistance entitlements as described in paragraph 96(2.2)(d) are \$5,000.

A) Share of business loss	(\$ 240,000)	
Share of net rental loss from property	<u>(5,000)</u>	
Total losses (paragraph 96(2.1)(a))	<u>(\$ 245,000)</u>	A
B) ACB	\$ 50,000	
Plus: Capital gain	40,000	
Minus: Amounts under paragraphs 96(2.2)(c), (d)	<u>5,000</u>	
At-risk amount (subsection 96(2.2))	<u>\$ 85,000</u>	B
C) Investment tax credit (subsection 127(8))	nil	
Farming losses	nil	
Resource expenses (CEE)	<u>\$ 10,000</u>	
Total reductions	<u>\$ 10,000</u>	C
Limited partnership loss (subsection 96(2.1)):		
Amount from line A	\$ 245,000	
Minus: Amount from line B	\$ 85,000	
Minus:		
Amount from line C	<u>10,000</u>	
Allowable losses	<u>\$ 75,000</u>	<u>(75,000)</u>
Limited partnership loss		<u>\$ 170,000</u>

T5013 information slip

Box 18 –	(70000 00)	[The limited partner will report this amount on line 122 of the T1 return.]
Box 20 –	(5000 00)	[The limited partner will report this amount on line 126 of the T1 return.]
Box 23 –	40000 00	[The limited partner will report the capital gain on line 174 on Schedule 3 of the T1 return.]
Box 31 –	(170000 00)	[This amount is the limited partnership loss available for carryforward.]
Box 39 –	10000 00	[The limited partner will use this amount to calculate the allowable deduction for the cumulative CEE pool under "Other" in Area II on Form T1229, <i>Statement of Exploration and Development Expenses and Depletion Allowance</i> .]
Box 45 –	85000 00	[This amount is the limited partner's at-risk amount.]
Box 46 –	5000 00	[The limited partner will use this amount to reduce the allowable deduction for the cumulative CEE pool under "Other" in Area II on Form T1229.]

2. Negative adjusted cost base

In this case, the limited partner's:

- interest in the partnership was not acquired from the partnership itself;
- actual cost of the partnership interest was \$10,000;
- negative ACB of the former partner just before the sale was \$8,000;
- negative ACB adjustments since the acquisition of this partnership interest (other than current-year income and losses) were \$12,000;
- negative ACB at the end of the fiscal period is \$2,000;
- share of the partnership's business loss (other than a farming business) is \$40,000;
- share of the partnership's farming business loss is \$3,000 – not included in the business loss above (note that farming is not the chief source of income in the partnership);
- share of partnership's capital gain is \$20,000;
- investment tax credits are \$3,500;
- resource expenses are nil;
- amounts owing to the partnership described under paragraph 96(2.2)(c) are nil; and
- guarantees given or other entitlements described under paragraph 96(2.2)(d) are nil.

A) Share of business loss (other than farming)	<u>(\$ 40,000)</u>	A
B) Cost of the partnership interest	nil *	
* Because the partnership interest was acquired from a transferor other than the partnership, under subsection 96(2.3), the cost of the partnership interest that the limited partner acquired is considered to be whichever is less :		
■ the cost otherwise determined, i.e., \$10,000; or		
■ the greater of:		
– the negative ACB to the former partner before the sale (\$8,000); or		
– nil.		
ACB adjustments since acquisition (other than current-year income)	(\$ 12,000)	
	(\$ 12,000)	
Plus: Capital gain	20,000	
Minus: Amounts under paragraphs 96(2.2)(c), (d)	<u>nil</u>	
At-risk amount (subsection 96(2.2))	<u>\$ 8,000</u>	B
C) Investment tax credit (subsection 127(8))	\$ 3,500	
Farming losses	3,000	
Resource expenses (CEE)	<u>nil</u>	
Total reductions	<u>\$ 6,500</u>	C
Limited partnership loss (subsection 96(2.1)):		
Amount from line A	\$ 40,000	
Minus: Amount from line B	\$ 8,000	
Less:		
Amount from line C	<u>(6,500)</u>	
Allowable business loss	<u>\$ 1,500</u>	<u>(1,500)</u>
Limited partnership loss		<u>\$ 38,500</u>
T5013 information slip		
Box 18 –	(4500 00)	[The limited partner will report (\$1,500) on line 122 and (\$3,000) on line 141 of the T1 return.]
Box 23 –	20000 00	[The limited partner will report the capital gain on line 174 on Schedule 3 of the T1 return.]
Box 31 –	(38500 00)	[This amount is the limited partnership loss available for carryforward.]
Box 38 –	3500 00	[The limited partner will report this amount on line 412 of the T1 return.]
Box 45 –	8000 00	[This amount is the limited partner's at-risk amount.]
"Details" area:		
Box 18 –	Net loss (\$4,500) includes a (\$1,500) net business loss and a (\$3,000) net farming loss. You could have a restricted farm loss.	

Business investment loss

A business investment loss is a capital loss from the actual or deemed disposition of certain capital properties.

It can arise from the disposition, or deemed disposition, to a person with whom the partnership deals at arm's length of:

- a small business corporation's share; or
- a debt that a small business corporation owes to the partnership.

A business investment loss can also occur from the deemed disposition resulting from an election under subsection 50(1) for:

- a debt that a small business corporation owes to the partnership that is considered to be a bad debt at the end of the year, other than a debt from the sale of personal-use property; or
- a share of a small business corporation that the partnership owned at the end of the year (other than a share it received as consideration for personal-use property) when the corporation:
 - has become bankrupt in the year;
 - has become insolvent and a winding-up order exists under the *Winding-Up and Restructuring Act*; or
 - at the end of the year is an insolvent corporation that has stopped operating in the year and will not start to carry on a business in the year. Also, at the end of the year, the fair market value of the insolvent corporation's share has to be zero, and it has to be reasonable to expect that the corporation will dissolve or wind up and will not carry on a business.

For 2001 and after, generally the allowable loss is 50% of the actual loss. The allowable part of the loss is called an allowable business investment loss (ABIL).

Partners can deduct their share of the ABIL from other income for the year.

If the ABIL is more than the other income for the year, we consider that the excess is a non-capital loss, which partners can carry back three years and forward seven years.

If a partner cannot use all the non-capital loss (that was the ABIL) against other income by the end of the seven-year carry-forward period, the unapplied non-capital loss (that was the ABIL) becomes a net capital loss. As a net capital loss, it is available for carryforward indefinitely, but can only be applied against capital gains.

For more information, see our income tax guide T4037, *Capital Gains*, and Interpretation Bulletin IT-484, *Business Investment Losses*.

Fiscal period

Under paragraph 96(1.1)(b), we consider the partnership's fiscal period to be its taxation year. Generally, the partnership must use the calendar year as its fiscal period:

- when at least one of the members of a partnership is:
 - an individual (other than a testamentary trust, or an individual who is exempt from tax under section 149 or 149.1);

- a professional corporation; or
- a partnership that has a member that is described above; or
- when the partnership is a member of another partnership.

If the partnership has a business not carried on in Canada, the legislation does not require that the business use a December 31 fiscal year-end.

Election to use an off-calendar fiscal period

A new partnership that carries on business and is not a member of another partnership, and whose members are **all** individuals (including a testamentary trust, or an individual that is exempt from tax under sections 149 or 149.1), can elect under subsection 249.1(4) to use an off-calendar fiscal period.

Partnerships that are tax shelters

Partnerships (including professional corporate partnerships, but not including other corporate partnerships) that are tax shelters, or whose expenditures made in the course of carrying on the business are or were primarily the cost or capital cost of tax shelter investments, **cannot** have an off-calendar fiscal period.

Revoking your partnership's election to have an off-calendar fiscal period

If your partnership elected to have an off-calendar fiscal period, and now wants to change to a December 31 fiscal year-end, you can revoke that election under subsection 249.1(6). To revoke the election, an authorized partner has to file a completed Form T1139, *Reconciliation of 2003 Business Income for Tax Purposes*, with the relevant return of income on or before the earliest filing due date for the members of the partnership.

For more information, see our income tax guide RC4015, *Reconciliation of Business Income for Tax Purposes*.

Flow-through shares

General

A flow-through share is generally a share of the capital stock of a principal-business corporation that is issued to a person or partnership following an agreement in writing. Under the agreement, the corporation will incur Canadian exploration expenses or Canadian development expenses (resource expenses) and renounce those expenses to that person or partnership.

Flow-through shares identification number

We assign a flow-through shares identification number to the principal-business corporation that issues flow-through shares. This number, which has eight numeric characters, has to be included on the T101 slip, *Statement of Resource Expense*, that you receive from the principal-business corporation. You have to enter this number on Form T5016, *Summary Information for Tax Shelters That Are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members*.

Filing a flow-through shares information return

Partnerships have to file the *Partnership Information Return* if they invested in flow-through shares of a principal-business corporation that:

- incurred Canadian exploration expenses or Canadian development expenses; and
- renounced those resource expenses to the partnership.

Income of a partnership

Gross income

For accounting purposes, the partnership's gross income is the total income from the financial statements.

Net income (or loss)

The partnership's net income (or loss) is the gross income minus the expenses. You may have to adjust this amount to calculate the net income (or loss) for income tax purposes.

Net income (or loss) for income tax purposes

For details on how to calculate net income (or loss) for income tax purposes, see the section called "Reconciling the partnership's net income (or loss) for income tax purposes" starting on page 19.

Joint venture

The *Income Tax Act* does not define "joint venture." The term is often incorrectly used to describe an association that may be a partnership. Whether a joint venture is a partnership is a question of fact. Interpretation Bulletin IT-90, *What Is a Partnership?*, can help you determine if you are in a partnership.

In general terms, we do **not** consider a joint venture to be a partnership when the following conditions apply:

- Each person (participant) keeps ownership of the property. That is, the property is not held under joint tenancy or tenancy in common other than, for example, the land used in a single project to construct an apartment building.
- The joint venture is limited to one project or has a specified end.
- The agreement states that it is not a partnership, and the facts support this.
- The joint venture participants do not act as agents for each other.
- Each joint venture participant receives a share of the gross profits, and shares only expenses for the specific project (i.e., they do not operate a business in common).

None of the above factors alone will determine if the relationship is a joint venture or a partnership.

Eligible pooling arrangements

Under subsections 44.1(1) and (3), individuals may use a special purpose partnership as an investment agent in an arrangement that is treated as a joint venture. Each

individual will be treated as having his or her own share portfolio within the partnership.

Partners (members) of a partnership

End member

The end member is the last recipient (an individual including a trust, or a corporation) that finally receives the allocation from a partnership after the income has been allocated through all the various levels of the tiered partnership.

Example

Partnership 1 – ZYX Investments has two partners, Mr. Zachary and Yerex Properties. Yerex Properties is a partnership.

Partnership 2 – Yerex Properties has four partners, all individuals.

The four partners of Yerex Properties are **end members** of ZYX Investments.

General partner

A general partner is a partner whose personal liability for the debts and obligations of the partnership is not limited.

Limited partner (at any time during the fiscal period)

A limited partner is a partner whose liability as a partner is limited under partnership law.

However, we consider other partners to be limited partners for the:

- at-risk rules relating to losses, investment tax credits, and resource expenses (subsection 96(2.4));
- deemed gain rules relating to a negative ACB (subsection 40(3.14)); and
- cost of tax shelter investments (section 143.2).

Such other partners could include a partner whose participation in the partnership is limited by contract, and corporate shell general partners.

A limited partner does **not** include a member of a **limited liability partnership** under the circumstances described in paragraph 96(2.4)(a). A limited liability partnership is a type of partnership permitted under some provincial and territorial statutes.

Limited partner's exempt interest

Subsection 96(2.5) defines a limited partner's exempt interest. Generally, it is a prescribed partnership interest or an interest in a partnership that was actively carrying on business, or earning income from renting or leasing property, on a regular and continuous basis on February 25, 1986, and continuously after that date.

If a partnership interest is an exempt interest, a person who we would otherwise consider to be a limited partner will not be subject to the at-risk rules introduced in 1986. A partnership interest can lose exempt status when, after

February 25, 1986, there has been a substantial contribution of capital to the partnership or a substantial borrowing by the partnership.

Specified member

The status as a specified member of a partnership is determined for each partner for a particular fiscal period or taxation year of the partnership. Generally, a specified member as defined in subsection 248(1) includes:

- any partner who is a limited partner at any time during the partnership's fiscal period or taxation year; and
- any partner (including a general partner) who while a partner was not regularly, continuously, and substantially during the partnership's operating year:
 - actively engaged in the activities of the partnership's business, except for the financing of the partnership; and
 - carrying on a business similar to that of the partnership in its taxation year.

Partnership

General

A partnership is the relationship that exists between two or more persons who join to carry on a trade or business in common to make a profit. If there is no business in common, there is no partnership. For instance, co-ownership of a rental property as an investment does not in itself constitute a partnership.

Each person contributes money, property, labour, or a skill, and each person expects to share in the profits (or the losses) of the business enterprise. You can have a valid partnership without a formal written partnership agreement.

The type and extent of a person's involvement in the business is important in determining whether the person is a partner. For more information, see Interpretation Bulletin IT-90, *What Is a Partnership?*

If you need more help to decide whether an arrangement is a partnership, you can consult the relevant provincial or territorial laws. We will usually accept a decision based on those laws.

Canadian partnership

A Canadian partnership is one in which all the partners, including all end members, are resident in Canada.

Limited partnership

You have to register a limited partnership as such under the appropriate provincial or territorial registry system. A limited partnership has at least one general partner and one or more limited partners.

Tiered partnership

A tiered partnership has one or more partners that are partnerships.

Tax shelters

General

Generally, a tax shelter is:

- an investment in property (other than a flow-through share or a prescribed property), or
- a gifting arrangement under which a person entering into the arrangement:
 - makes a gift to a qualified donee or makes a political contribution to a registered party or candidate whose nomination has been confirmed in an election of a member or members to serve in the House of Commons of Canada, or
 - incurs a limited-recourse amount that can reasonably be considered to relate to a gift to a qualified donee or to a political contribution.

Generally, the investment in property or gifting arrangement is a tax shelter if it is promoted as offering income tax savings, and if it is reasonable to consider, based on statements or representations made or proposed to be made, that within the first four years of buying an investment in the property or entering into the gifting arrangement, the buyer or donor will have losses, deductions, or credits. Further, it has to be reasonable to consider that the losses, deduction, or credits would be **equal to or more than** the cost of the original investment or of the property acquired under the gifting arrangement, net of any prescribed benefits expected to be received or enjoyed, directly or indirectly by the person or another person with whom the person does not deal at arm's length.

The tax shelter rules concerning gifting arrangements generally apply to gifts, political contributions, and representations made and property acquired under the gifting arrangement after February 18, 2003.

Prescribed property includes property that is a registered pension plan, a registered retirement savings plan, a deferred profit-sharing plan, a registered retirement income fund, or a registered education savings plan.

For more information on tax shelters or prescribed property, see Information Circular 89-4, *Tax Shelter Reporting*.

Tax shelter identification number

The promoter of a tax shelter has to get a tax shelter identification number **before** selling, issuing, or accepting a contribution towards acquiring an interest in a tax shelter. The tax shelter promoter must use Form T5001, *Application for Tax Shelter Identification Number and Undertaking to Keep Books and Records*, to apply for a tax shelter identification number. Before we will issue a tax shelter identification number, the promoter has to provide us with prescribed information including a copy of an offering memorandum, and with a statement that the promoter will keep the books and records in Canada. We use the tax shelter identification number for administrative purposes only – it does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter. The tax shelter

identification number consists of two alphabetic characters (TS) followed by six numeric characters.

Filing a tax shelter information return

Partnerships that are tax shelters have to file the *Partnership Information Return* if they are not exempt from filing. These partnerships do not have to file the tax shelter information return (Form T5003, *Summary of Tax Shelter Information*, and the related T5003 information slips, *Statement of Tax Shelter Information*), because Section 2 on the T5013 information slip provides the partners with information about the tax shelter. To determine if your tax shelter is exempt from filing, see the section called “Partnerships that do not have to file a *Partnership Information Return*” on page 9.

Chapter 6 – Determining the net income (or loss) of the partnership and partners

General

A partnership has to:

- prepare its financial statements and calculate its income (or losses) following generally accepted accounting principles; and
- reconcile its income (or losses) for income tax purposes according to the *Income Tax Act* and *Income Tax Regulations*.

For technical matters, you may need to refer to other sources of information about income tax legislation. “Appendix C – Reference publications” on page 56 lists some of our publications that apply to partnerships.

The sources of incomes and losses you enter on the T5013 Summary are the same as those on the T5013 information slip. The T5013 Summary is an overview of the partnership’s operating results for the fiscal period. The T5013 information slip is simply a condensed report of the sources of incomes and losses from the partnership’s financial statements, adjusted for income tax purposes, and allocated to each partner.

The information you report to each partner in the boxes on the T5013 information slip may not be enough for that partner to complete a return. In this case, the partnership has to give each partner more details about the amounts allocated.

The instructions throughout this guide, and specifically in Chapter 8, explain when to complete the “Details” area on a T5013 information slip. Chapter 8 also includes examples of items on which you have to expand.

Fiscal year-end

Income tax legislation for calculating income for businesses that have a fiscal period that does **not** end on **December 31** may affect your partnership’s income. To determine if your partnership has to use a December 31 fiscal year-end, see the section called “Fiscal period” on page 15.

If your partnership’s business can use an off-calendar fiscal year-end, special rules may apply. For more information, see our income tax guide RC4015, *Reconciliation of Business Income for Tax Purposes*.

Calculating the partnership’s income (or loss)

Partnership income

For purposes of the *Income Tax Act*, we generally consider a partnership to be a flow-through entity. You have to calculate a partnership’s income (or loss) as though the partnership is a separate entity, and flow the income (or loss) out of the partnership to the partners.

Note

Draft income tax changes that we have not referred to in this guide may affect partnership income. If you have any questions, contact Business Enquiries at 1-800-959-5525.

Business and non-business activities

A partnership can have a rental income (or loss) from a business or from property (a non-business activity). For more information on the difference between business and non-business rental activities, see Interpretation Bulletin IT-434, *Rental of Real Property by Individual*, and its Special Release.

Note

In this guide, when we discuss business income (or loss), we include rental income (or loss) that is a business activity. When we discuss rental income (or loss), we refer to the non-business rental income (or loss) from property.

Income sources

A partnership can have income (or losses) from more than one source, such as business, professional, commission, farming, fishing, rentals, and investments. If this is the case, you have to calculate the income (or loss) from each source separately, as follows:

- Calculate the partnership’s net income (or loss) for accounting purposes (i.e., prepare the financial statements).
- Apply the general rules of subsection 96(1) to calculate the net income (or loss) for income tax purposes. For more information, see the section called “Reconciling the partnership’s net income (or loss) for income tax purposes” starting on page 19.
- Allocate the resulting net income (or loss) for income tax purposes to the partners.

When the partnership allocates income and losses to the partners, the income (or losses) keep their source identity. For example, dividend income earned by a partnership is dividend income of the partner. However, if the partner is a limited partner, some restrictions apply to the losses the limited partner can claim.

Investment in a tax shelter

When the partnership holds an interest in a tax shelter and recourse against any member of the partnership for a limited-recourse amount is limited, immediately or in the future and absolutely or contingently, the partnership's expenditures may be reduced by the amount of limited-recourse financing as covered in section 143.2.

Income from foreign sources

If your partnership earned income or realized capital gains from foreign property in 2003, report these amounts on your 2003 *Partnership Information Return*.

Convert the foreign income into **Canadian** dollars using the exchange rate in effect at the time of the transaction. If the transactions occurred at various times throughout the year, use an average exchange rate for the year.

However, for capital transactions, you have to use the exchange rate in effect at the time of the transaction.

For more information, see Interpretation Bulletin IT-95, *Foreign Exchange Gains and Losses*.

Capital cost allowance (CCA)

For the definition of **capital cost allowance** and other CCA information, see page 40.

The partnership can deduct CCA on the depreciable property the partnership owns, to the extent that regulations permit. The partnership can deduct any amount of CCA up to the maximum available for the fiscal period, or none at all. Generally, if a fiscal period is less than 12 months, you have to prorate the deduction based on the number of days in the fiscal period.

If the partnership's activities include a rental operation, some restrictions apply to the amount of CCA the partnership can claim for the rental assets. For more information, see the section called "Restriction on rental buildings" on page 40.

For more information about specific depreciable properties, see the following interpretation bulletins:

- IT-79 *Capital Cost Allowance – Buildings or Other Structures*
- IT-147 *Capital Cost Allowance – Accelerated Write-Off of Manufacturing and Processing Machinery and Equipment*
- IT-195 *Rental Property – Capital Cost Allowance Restrictions*
- IT-274 *Rental Properties – Capital Cost of \$50,000 or More*
- IT-283 *Capital Cost Allowance – Video Tapes, Videotape Cassettes, Films, Computer Software and Master Recording Media*
- IT-285 *Capital Cost Allowance – General Comments*
- IT-336 *Capital Cost Allowance – Pollution Control Property*
- IT-371 *Rental Property – Meaning of Principal Business*

Reconciling the partnership's net income (or loss) for income tax purposes

There are some expenses that you cannot deduct from the partnership's income for income tax purposes (i.e., some expenses are not allowable for tax purposes, and others are applied outside of the partnership).

Example

Salary or wages paid to partners are not allowable for tax purposes.

Deductions for basic herds, exploration, development, and resource property expenses, and renounced expenses are included directly in calculating the income (or loss) of the members of the partnership.

Also, do not include non-taxable income in the partnership's income for income tax purposes.

If you have such expenses or non-taxable income, you have to give us a reconciliation of the partnership's net income (or loss) for income tax purposes.

Some of the reconciliation adjustments can be to:

- subtract capital gains and add taxable capital gains;
- add back capital losses and subtract allowable capital losses;
- add back depreciation and subtract capital cost allowance;
- add back amortization and subtract cumulative eligible capital allowance;
- add back deductions for scientific research and experimental development (SR&ED) expenses;
- add back deductions for exploration, development, and resource property expenses;
- add back deductions for renounced exploration, development, and resource property expenses;
- add back deductions for basic herds;
- add back salary or wages paid to partners;
- add back cost of products available for sale that were consumed; and
- add back charitable donations and other gifts.

Some non-allowable operating costs and expenses that you have to add back include:

- personal expenses of a partner paid by the partnership;
- personal part of motor vehicle and other expenses paid by the partnership;
- life insurance premiums;
- club dues;
- inventory allowances and other reserves not allowed by the *Income Tax Act*;

- interest and penalties on income tax;
- political contributions;
- interest and property taxes, which you may want to capitalize, on vacant land; and
- certain fines and penalties.

Attach a copy of the reconciliation to the T5013 Summary when you send the *Partnership Information Return* to us.

Sample format	
E-Z Partnership #HA1234567	
Reconciliation of Partnership's Net Income (or Loss) for Income Tax Purposes for the Fiscal Period Ending December 31, 2003	
Net income (or loss) per financial statements	\$ _____
Add back:	
Expenses not allowed for income tax purposes, for example:	
Salary or wages paid to partners and included in expenses	\$ _____
Cost of goods available for sale that were consumed	_____
Depreciation	_____
Deductions for exploration, development, and resource property expenses, and renounced expenses	_____
Other (specify) _____	_____
Subtotal	\$ _____
Minus:	
Deductions allowed for income tax purposes, for example:	
Capital cost allowance	\$ _____
Other (specify) _____	_____
Net income (loss) for income tax purposes	<u><u>\$ _____</u></u>

The above explanation provides general information on necessary adjustments.

Scientific research and experimental development (SR&ED)

Subsection 96(1) has special rules that apply when a partnership has incurred SR&ED expenditures in a fiscal period. Under this subsection, the partnership deducts the **full amount** of SR&ED expenses in the **year** they were **incurred**.

You cannot allocate to a limited partner a loss that has been created or increased by SR&ED expenses. When you calculate the amount of the loss for tax purposes to allocate to the limited partners, you have to reduce the loss by the amount of the SR&ED expenses deducted or by the amount of the loss, whichever amount is **less**. This applies to SR&ED expenses incurred inside or outside Canada.

Example

- BIZ Partnership has one limited partner.
- The partnership's net income for the fiscal period ending December 31, 2003, was \$30,000 before deducting SR&ED expenses of \$45,000.

Calculation of the Business Loss for the Partnership, and the Business Loss Allocation for the Limited Partners

Net partnership income before deducting SR&ED expenses	\$ 30,000	
Minus: SR&ED expenses	<u>45,000</u>	
Partnership net loss for the period	(\$ 15,000)	
Reduced by the lesser of:		
SR&ED expenses	<u>\$ 45,000</u>	
Amount of loss	<u>\$ 15,000</u>	<u>15,000</u>
Business loss allocated to limited partner (box 18)		<u><u>nil</u></u>

The loss that you **cannot** allocate to the limited partners:

- is **not** allowed to other partnership partners;
- does **not** become a limited partnership loss;
- does **not** become a non-capital loss; and
- does **not** affect the ACB of the limited partner's interest in the partnership.

For more information, see Interpretation Bulletin IT-151, *Scientific Research and Experimental Development Expenditures*, and Information Circular 86-4, *Scientific Research and Experimental Development*.

If your partnership has incurred expenditures during the fiscal period for SR&ED carried on in Canada, the partnership has to file Form T661, *Claim for Scientific Research and Experimental Development (SR&ED) in Canada*. Include it with your *Partnership Information Return* for that period. File Form T661 no later than 12 months after the filing due date of the members' returns for the year. Otherwise, the members will not be allowed to claim the SR&ED expenditures.

Investment tax credit recapture

Your partnership may have claimed investment tax credits (ITC) on materials that were consumed or on equipment that was used for SR&ED in Canada.

The cost of materials used in SR&ED does not generally qualify for SR&ED tax incentives unless the materials are used in performing SR&ED in Canada. At the start of an SR&ED project, you may not know whether the materials used in the project will be used or will result in a product that has some value. After you use equipment for SR&ED, you may intend to use it for more SR&ED but later change its use or dispose of it.

In both these cases, you may have to recapture some or all of the ITC in a year when **all** the following conditions are met. The partnership:

- acquired a property in its current fiscal period or in any of its 10 preceding fiscal periods;
- claimed the cost or a portion of the cost of the property as a qualified expenditure for SR&ED on Form T661;
- included the cost or a portion of the cost of the property in computing the ITC at the end of a fiscal period; and
- disposed of or converted the property to commercial use in the fiscal period. This condition is also met if the partnership disposed of, or converted to commercial use, a property that incorporated the property previously referred to.

If you meet all the above conditions, the amount of ITC you have to recapture is whichever is **less**:

- the ITC earned for the property; or
- the amount calculated by applying the percentage used in calculating the ITC earned on the property to:
 - the proceeds of disposition of the property, if you disposed of it to a person with whom you deal at arm's length; or
 - the fair market value of the property, if you disposed of it to a person with whom you do not deal at arm's length.

Calculate the recapture for the fiscal period the property is disposed of or converted to commercial use. Deduct the ITC recapture from the ITC otherwise available to the partnership. If the partnership does not have enough ITC available to offset the recapture, add the excess to the partnership's pool of SR&ED expenditures for the next year. Partners have to include their share of the excess in Part I tax for the year by including that excess ITC recapture on the corresponding line in the "Recapture of ITC on SR&ED expenditures" section of Part A on Form T2038(IND), *Investment Tax Credit (Individuals)*.

Exploration, development, and resource property expenses

Subsection 96(1) has special rules that apply when a partnership has incurred exploration, development, and resource property expenses. Include these expenses in calculating the income (or loss) of the members of the partnership. See Interpretation Bulletin IT-353, *Partnership Interest – Some Adjustments to Cost Base*, and the section called "Boxes 39 to 42" on page 36.

Salary or wages paid to partners

Partnership agreements can specify that business or professional income allocated to partners be paid in the form of salaries or wages. Although this is an acceptable way for the partnership to allocate income, the partnership **cannot** deduct the salary or wages from income for income tax purposes.

In these cases, the partnership's financial statement of income and expenses can include a deduction for salaries or wages paid to a member of the partnership. Then, to

calculate the net income (or loss) for income tax purposes, you have to add them back to the partnership's net income (or loss). See the sample format called "Reconciliation of Partnership's Net Income (or Loss) for Income Tax Purposes for the Fiscal Period Ending December 31, 2003" on page 20.

The partnership cannot withhold income taxes on these amounts. Each partner may have to make instalment payments for the income tax due on partnership income. For more information, see our pamphlet P110, *Paying Your Income Tax by Instalments*, or our income tax guide T7B-CORP, *Corporation Instalment Guide*.

Cost of products available for sale that were consumed

One or more partners, or members of their families, may consume or use any of the products that the partnership ordinarily sells or uses to produce its income. The partnership **cannot** claim the cost of those products as an operating expense for tax purposes.

To calculate the net income (or loss) for tax purposes, the partnership has to:

- add the cost of buying or producing those products to sales;
- deduct those costs from purchases; or
- add back the costs of products available for sale that were consumed. See the sample format called "Reconciliation of Partnership's Net Income (or Loss) for Income Tax Purposes for the Fiscal Period Ending December 31, 2003" on page 20.

Alternatively, you can enter the appropriate amount in the "Details" area of the partner's T5013 information slip.

Basic herds

The rules for basic herds apply to each partner and not to the partnership. If you deducted any amount for basic herds, you have to add back those deductions when you reconcile the partnership's income (loss) for income tax purposes.

Charitable donations and government gifts

For gifts made after December 20, 2002, only the eligible amount of the charitable donations and other gifts are eligible for non-refundable tax credits for individuals and deductions for corporations. We consider that the partners made the gift in their own taxation year in which the partnership's fiscal period ends. The partnership **cannot** claim these as deductions when calculating its income (or loss) for tax purposes. If a partnership deducted such amounts from its income for accounting purposes, you have to add back the amounts to calculate the partnership's income (or loss) for tax purposes.

Charitable donations and government gifts include gifts made to a qualified donee. Qualified donees include:

- Canadian registered charities;
- registered Canadian amateur athletic associations;
- prescribed universities outside Canada;

- tax-exempt housing corporations resident in Canada that only provide low-cost housing for seniors;
- Canadian municipalities;
- Canada or a province or territory;
- the United Nations or its agencies; and
- charitable organizations outside Canada to which the Government of Canada has made a donation in 2002 or 2003.

Gift of a non-qualifying security

Special rules apply if the partnership makes a gift (donation) of a non-qualifying security (other than an excepted gift) described in subsection 118.1(18) to a qualified donee (other than a private foundation). In this case, we consider the donation not to have been made. However, if the donee disposes of the donated non-qualifying security, or if the security ceases to be a non-qualifying security, before the end of the 60-month period after the donation, we consider the partnership to have made the donation at that later time. The value of the property represents whichever is **less**:

- the fair market value of any consideration received by the donee (other than a non-qualifying security of the donor); or
- the fair market value of the security at the time it was originally made.

Cultural and ecological gifts

For gifts made after December 20, 2002, only the eligible amount of the cultural and ecological gifts are eligible for non-refundable tax credits for individuals and deductions for corporations. We consider that the partners made the gift in their own taxation year in which the partnership's fiscal period ends. The partnership **cannot** claim these as deductions when calculating its income (or loss) for tax purposes. If the partnership deducted such amounts from its income for accounting purposes, you have to add back the amounts to calculate the partnership's income (or loss) for tax purposes.

Unlike other donations, the partner's claim for cultural and ecological gifts is not limited to the percentage specified for charitable donations and government gifts. Partners can choose the part of their donations they want to claim in 2003 and can carry forward any unused part for up to five years.

Cultural and ecological gifts include:

- gifts of cultural property, certified by the Canadian Cultural Property Export Review Board, that your partnership gave to a designated institution or public authority in Canada; and
- gifts of land (or a covenant or an easement to which land is subject or, in the case of land in Quebec, a real servitude) certified by the federal Minister of the Environment, if your partnership donated it to Canada or a province or territory, a Canadian municipality, or an approved registered charity. The Minister of the Environment has to certify the land to be ecologically

sensitive land important to the preservation of Canada's environmental heritage.

If your partnership donates gifts of cultural property to a designated institution or public authority, the Canadian Cultural Property Export Review Board will issue Form T871, *Cultural Property Income Tax Certificate*, to your partnership. You have to attach it to the T5013 Summary when you file the *Partnership Information Return*.

If your partnership donates gifts of ecologically sensitive land to Canada or a province or territory, a Canadian municipality, or an approved registered charity, the federal Minister of the Environment will issue a certificate. You have to attach the certificate to the T5013 Summary.

For more information about donations and gifts, see the following publications and interpretation bulletins:

P113 *Gifts and Income Tax*

T4037 *Capital Gains*

IT-244 *Gifts by Individuals of Life Insurance Policies as Charitable Donations*

IT-288 *Gifts of Capital Properties to a Charity and Others*

IT-297 *Gifts in Kind to Charity and Others*

IT-407 *Dispositions of Cultural Property to Designated Canadian Institutions*

Capital gain (or loss) on property the partnership donated

You may have to report any capital gain (or loss) on property that the partnership donated. Generally for capital gains arising from gifts, the inclusion rate is 50%.

For 2001 and later years, the inclusion rate for capital gains arising from gifts of ecologically sensitive land and non-qualifying securities is 25%. After December 20, 2002, new section 38.1 provides that for gifts made to qualified donees of certain securities or of environmentally sensitive land, if a taxpayer is entitled to an advantage or benefit in respect of a gift, only part of the taxpayer's capital gain will be entitled to the special 25% inclusion rate. New subsections 248(30) and (31) provide definitions of the eligible amount of a gift and of the amount of the advantage in respect of a gift.

For more information, see our income tax pamphlet P113, *Gifts and Income Tax*.

Contributions to registered parties and candidates

For contributions made after December 20, 2002, to a registered party or candidates running for election to serve in the House of Commons of Canada, the amount of the contribution that is eligible for the federal political contributions tax credit is to be reduced by the amount of any advantage or benefit, as defined in subsection 248(31).

Other (specify)

Operating costs and other expenditures that the partnership incurred and claimed can include costs that are not deductible for tax purposes. We have listed some of

these costs and expenditures in the section called “Reconciling the partnership’s net income (or loss) for income tax purposes” starting on page 19.

Allocating the income (or loss) to partners

General

Partnerships usually allocate income, gains, losses, deductions, credits, and other amounts among the partners according to the terms of the formal partnership agreement. If there is no written agreement for this allocation, under provincial or territorial laws partners may be entitled to share equally in the capital and profits of the business. However, under subsection 103(1) or (1.1), we can revise a partner’s share of the income (or loss) of the partnership to an amount that is reasonable in the circumstances.

Current members of a partnership – Generally, a partnership’s net income and loss, adjusted for income tax purposes, flows through to the partners. However, various provisions of the *Income Tax Act* can affect the amounts allocated to partners, depending on whether the partner is a **general partner, limited partner, or specified member**. For the definition of these terms, see pages 16 and 17.

Retired partners – If a retired partner is considered to be a member of the partnership under subsection 96(1.1) and receives a share of the partnership’s income (or loss), you have to prepare a T5013 information slip for that retired partner.

For information on retired partners, see the following interpretation bulletins:

IT-242 *Retired Partners*

IT-278 *Death of a Partner or of a Retired Partner*

IT-338 *Partnership Interests – Effects on Adjusted Cost Base Resulting From the Admission or Retirement of a Partner*

Losses

General partner – When general partners calculate their net income on their personal, corporate, or trust returns, they can deduct losses in the fiscal period to which they relate. If there is any excess, partners can usually include it in the calculation of their non-capital loss for the year.

Limited partner – The total of the business (other than farming), rental, and investment losses allocated to a limited partner in a taxation year are deductible only to the extent of that limited partner’s at-risk amount at the end of the partnership’s fiscal period, minus certain other deductions allocated from the partnership. See the definition of **at-risk amount** on page 12.

The partnership’s losses that the limited partner cannot deduct in the current year become a limited partnership loss. Limited partners cannot include the limited partnership loss in calculating their non-capital loss for the year. However, the limited partners can carry the limited partnership loss forward indefinitely and deduct it in a later year when they have a positive at-risk amount after deducting the amounts specified under subparagraph 111(1)(e)(ii).

Farming losses that a partnership incurs and allocates to limited partners are **not** restricted by the at-risk rules.

Notes

- Use boxes 18 and 20 of the T5013 information slip, as they apply, for the current-year allowable losses and expenses (up to the at-risk amount).
- Use box 31 of the T5013 information slip for the part of the current-year limited partnership loss that the limited partner can carry forward.

Restricted farm losses

All partners – Each partner, including the limited partner, may have to restrict a farm loss under section 31. If the partnership has a loss from a farming business, the rules on restricted farm losses apply to each partner, **not** to the partnership.

Limited partner’s loss calculations

You have to calculate the allowable loss that the limited partner can deduct and the amount of the limited partner’s limited partnership loss on a **partner-by-partner basis**.

Calculating a limited partner’s limited partnership loss can be complex because you need to calculate the limited partner’s at-risk amount. To calculate the at-risk amount, you need to know the adjusted cost base (ACB) of the limited partner’s interest in the partnership. See the definitions of **adjusted cost base (ACB) of a partnership interest** and **at-risk amount** on page 12, and general information about the at-risk amount on pages 12 to 14. The general information also has two examples of how to calculate the limited partner’s limited partnership loss.

To calculate the amount of each limited partner’s limited partnership loss that can be carried forward for future years, use the formula:

$$A - (B - C)$$

where

A = the limited partner’s share of the total amount of business losses (other than farming losses), rental losses, and investment losses available;

B = the limited partner’s at-risk amount; and

C = the limited partner’s share of the total of investment tax credits, losses incurred from a farming business, foreign exploration and development expenses, Canadian exploration expenses, Canadian development expenses, and Canadian oil and gas property expenses.

If C is **more** than B, enter “0” in that part of the calculation.

For more information, see the following interpretation bulletins:

IT-232 *Losses – Their Deductibility in the Loss Year or in Other Years*

IT-353 *Partnership Interest – Some Adjustments to Cost Base*

Chapter 7 – T5013 Summary, Partnership Information Return

If you are preparing an amended T5013 Summary, read the sections called “How to correct your *Partnership Information Return*” and “Changes to the T5013 Summary” on page 7.

How to complete the forms

To help us process the *Partnership Information Return* efficiently and quickly, please prepare the T5013 Summary and the T5013 information slips following these instructions:

- Type or machine-print the data and information wherever possible. If you prepare the *Partnership Information Return* by hand, print clearly.
- Enter all amounts in **Canadian dollars**.
- Enter all amounts on the T5013 Summary and T5013 information slips in **dollars and cents**:
 - Do **not** use a comma to separate thousands.
 - Do **not** use the dollar (\$) sign.
 - Enter all losses in brackets.

Example

2258 64	for an income amount
(1225 49)	for a loss amount

- If no entry is required, leave boxes and areas blank. Do **not** use zeros (000 00), dashes (–), nil, or N/A in the boxes or financial areas that you are not using.
- If you made an error in a previous year, do **not** adjust your current-year forms for that error. Instead, you will have to file an amended form for the previous year. For instructions, see the section called “How to correct your *Partnership Information Return*” on page 7.

If you do not enter all the information we ask for in each area, we may contact you to get the missing information or ask you to send us an amended T5013 Summary. Missing information can delay our processing a partner’s return.

Area A – Identification

Information return for fiscal period

Enter the four numeric characters for the year and the two numeric characters for the month and day, from the start to the end of the fiscal period for which you are filing this *Partnership Information Return*.

Example 1

Fiscal period starting on May 1, 2003, and ending on April 30, 2004					
From:	2003	05	01	To:	2004 04 30
	Year	Month	Day		Year Month Day

Example 2

Fiscal period starting on January 1, 2003, and ending on December 31, 2003					
From:	2003	01	01	To:	2003 12 31
	Year	Month	Day		Year Month Day

You do not need our approval for a short fiscal period when the partnership winds up. However, it does affect the due date. For more information, see the section called “Due dates for filing the *Partnership Information Return*” on page 6.

If this is a newly formed partnership, you may want to see Interpretation Bulletin IT-364, *Commencement of Business Operations*.

Partnership’s filer identification number

Enter your partnership’s filer identification number. If this is the first *Partnership Information Return* that your partnership is filing, and the partnership does not have a filer identification number, leave this area blank. We will automatically assign a filer identification number when you file your first *Partnership Information Return*. For more information, see the section called “Partnership’s filer identification number” on page 7.

If you cannot locate the partnership’s original filer identification number, contact your tax services office or tax centre.

A partnership can have only **one** filer identification number. Use the partnership’s original filer identification number even if you have changed the name of the partnership.

Business Number

Enter your partnership’s Business Number if your partnership has one.

Tax shelter identification number

If the partnership is also a tax shelter, enter the assigned tax shelter identification number. If there is more than one tax shelter identification number, attach a list. For more information about this identification number, see the section called “Tax shelter identification number” on page 17.

Partnership’s name

Enter the partnership’s name on the T5013 Summary **exactly** as on the previous *Partnership Information Return*.

Note

If you changed the name of the partnership, enter the **new** name followed by the previous name in brackets. If you do not enter this information as well as the partnership's original filer identification number, we may issue another filer identification number.

Address area

Enter the complete address of the head office of the partnership.

- **Province or territory** – Use the two-letter code from Appendix A on page 53 for the name of the Canadian province or territory, or the U.S. state. For all other countries, leave this area blank.
- **Postal code** – Enter the Canadian postal code.
- **Country** – Enter “CAN” or the appropriate three-letter code from Appendix B on pages 54 and 55 for any other country.
- **U.S. zip code** – Enter the U.S. zip code. For all other countries (except Canada), use the postal code if that country has one. Otherwise, leave this area blank.

Have you filed a *Partnership Information Return* before?

Tick (✓) the *No* or *Yes* box, as it applies.

If you answer *Yes*, indicate the year in the box provided.

Address on last *Partnership Information Return*

If the partnership's current-year head office address is different from the head office address on the last *Partnership Information Return*, enter the complete address that was shown on the last *Partnership Information Return* you filed. Follow the instructions in the earlier section called “Address area.”

Is this a limited partnership?

Tick (✓) the *No* or *Yes* box, as it applies.

If you answer *Yes*, enter the full name and complete address of the principal general partner. Follow the instructions in the earlier sections called “Partnership's name” and “Address area.”

If you answer *Yes*, be sure to enter “1” in box 04 on all T5013 information slips for the partnership.

Location of books and records

Enter the complete address where the partnership's books and records are kept. Follow the instructions in the earlier sections called “Partnership's name” and “Address area.”

Name of partner designated under subsection 165(1.15) of the *Income Tax Act*

Provide the name of the partner whom the partners designated as the person having the right to object for the partnership to a determination we make under subsection 152(1.4). Under that subsection, we can determine any income (or loss) of the partnership for a fiscal period and any deduction or other amount, or any

other matter, relevant in determining the tax liability of any member of the partnership.

Line 81 – Total number of T5013 information slips attached

Enter the number of T5013 information slips issued to partners for the fiscal period.

Line 82 – Type of partners

Tick (✓) the boxes that describe the type of partners in the partnership.

Line 83 – Type of end members

If any member of this partnership is also a partnership, tick (✓) the boxes that describe the type of end members.

Line 84 – Partnership's principal business activity

Tick (✓) the box that best describes the partnership's principal business activity.

If the partnership's principal activity is non-business rental income from property, tick the box for “Other” and specify “rental property.”

If you choose “Other,” please identify the business activity in the space provided.

Line 85 – Jurisdictions where partnership operates

Use the two-letter code from Appendix A on page 53 for all Canadian provinces or territories where the partnership conducts its business activities.

If the partnership receives income from a country other than Canada, use “US” for the United States, and “ZZ” for any other country.

Line 86 – Is this the final information return for the partnership?

Tick (✓) the *No* or *Yes* box, as it applies.

Line 87 – Was the partnership inactive throughout this fiscal period?

Tick (✓) the *No* or *Yes* box, as it applies.

If you answer *Yes*, and if the partnership has not discontinued its operation, the partnership has to file a completed *Partnership Information Return* and give T5013 information slips to each partner.

Line 88 – Language of correspondence

Tick (✓) the box for either “English” or “French,” as it applies.

Line 89 – Did you pay someone to prepare this *Partnership Information Return*?

Tick (✓) the *No* or *Yes* box, as it applies.

Answer *Yes* only if you paid a fee to someone who is not a member of the partnership, such as an accountant or a tax-return preparer.

Line 90 – Is this a publicly traded partnership?

Are the partnership units distributed through a registered dealer? Tick (✓) the *No* or *Yes* box, as it applies.

Area B – Certification

Person to contact for more information

Provide the name and telephone number of a person familiar with the records, books of account, and the partnership's financial operations.

We will contact that person if we need more information to process the *Partnership Information Return* or when we review the *Partnership Information Return*.

Authorized partner's certification

The partner who is filing the *Partnership Information Return* on behalf of all the members of the partnership has to complete and sign this area.

Area C – Summary of partnership's income (or loss) (lines 170 to 300)

General

Area C of the T5013 Summary breaks down the sources of income and losses into various categories. These categories may be subject to different income tax rules.

- The amounts you enter on lines 181 and 201 in Area C are the total of the amounts you will allocate to the partners in boxes 18 to 21 of the T5013 information slips.
- The amount you enter on line 290 in Area C is the total of the amounts you will allocate to the partners in box 51 of the T5013 information slips.
- The amounts you enter on lines 220 to 300 in area C are the total of the amounts you will allocate to the partners in boxes 22 to 30 of the T5013 information slips.

Lines 170 to 201, 290, and 291 – Gross and net amounts

Enter the amounts for the enterprises that relate to your partnership.

Include income from both Canadian and foreign sources. Convert all foreign income to **Canadian** dollars. See the section called "Income from foreign sources" on page 19.

Business income, lines 170 and 171, includes income from the operation of a rental business. It does not include non-business rental income. For more information, see the section called "Business and non-business activities" on page 18. Report non-business rental income separately on lines 200 and 201.

Lines 170, 172, 174, 176, 178, 180, 200, and 290

These amounts are the gross income for **accounting purposes** from the financial statements.

Lines 171, 173, 175, 177, 179, 181, 201, and 291

These amounts are the net income (or losses) adjusted for **income tax purposes**.

Line 220 – Capital cost allowance

Enter the total amount of capital cost allowance (CCA) you included when you calculated the amount you reported on line 291. Do **not** include terminal losses or recaptured CCA in this amount.

Lines 230, 231, and 232 – Capital gains (or losses) (Canadian and foreign)

To calculate the capital gain (or loss) amounts:

- Add any reserves allocated in the previous year.
- Do **not** deduct any allowable reserves.
- Do **not** convert capital gains to taxable capital gains, or capital losses to allowable capital losses.
- Do **not** include business investment losses.

Enter the amounts as follows:

Line 230 – Capital gains (or losses) from dispositions of real estate

Line 231 – Capital gains dividends and capital gains (or losses) from dispositions of all other property

Line 232 – Total of lines 230 and 231

Lines 240, 241, and 242 – Reserve (Canadian and foreign capital gains)

Enter the amounts as follows:

Line 240 – Capital gains reserve from dispositions of real estate

Line 241 – Capital gains reserve from dispositions of all other property

Line 242 – Total of lines 240 and 241

Line 250 – Actual amount of dividends from corporations resident in Canada

Enter the total **actual** amount of dividends from taxable Canadian corporations paid or considered to be paid to the partnership during the fiscal period. Do **not** deduct carrying charges that the partnership incurred for earning any dividend income. Report the carrying charges on line 300.

Line 260 – Interest from Canadian sources

Enter the total interest income from Canadian sources you included in the partnership's income for the fiscal period.

Do **not** include interest income from a business activity that you have already included in the amounts on lines 170 to 181.

Do **not** deduct carrying charges that the partnership incurred for earning any interest income. Report the carrying charges on line 300.

Line 270 – Foreign dividend and interest income

Enter the total dividend and interest income from all sources outside Canada in **Canadian** dollars. Do **not** deduct carrying charges that the partnership incurred for earning any foreign dividend and interest income. Report the carrying charges on line 300.

Line 280 – Business investment loss(es)

Enter the total business investment loss of the partnership. The definition of **business investment loss** is on page 15.

Line 300 – Carrying charges

Enter the total carrying charges that the partnership incurred for earning investment income (including dividend and interest income, both foreign and Canadian) and non-business rental income.

Area D – Selected data from partnership's financial statements (lines 400 to 406)

This section sums up the selected information from the partnership's financial statements for the period covered by the *Partnership Information Return*.

Transfer the appropriate amounts from the financial statements to the appropriate line.

Area E – Miscellaneous information (lines 500 to 519)

Tick (✓) the appropriate *No* or *Yes* box to answer each question in this section.

If you answer *Yes* to a question, give the extra information we ask for in the area designated.

Line 505 – Use the code for the province or territory from the codes listed in Appendix A on page 53.

Line 507 – If the partnership is a tax shelter, or if the partnership allocated renounced resource expenses to its members, complete Form T5016, *Summary Information for Tax Shelters That Are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members*, and attach it to the return. If you are filing late, attach your cheque for the late-filing penalty.

Line 515 – For more information, see the section called "Scientific research and experimental development (SR&ED)" on page 20.

Line 517 – To calculate the total investment tax credits that the partnership earned, use the percentage of the investment cost or expenditure shown on Form T2038(IND), *Investment Tax Credit (Individuals)*. For more details, see our income tax guide T4002, *Business and Professional Income*, and Information Circular 78-4, *Investment Tax Credit Rates*, and its Special Release. Attach your calculations to the T5013 Summary when you send the *Partnership Information Return* to us.

Line 519 – Include the amounts entered in boxes 39 to 42 of Section 1, and in boxes 130 and 131 of Section 3, on the T5013 information slip. For more information, see the sections called "Exploration, development, and resource property expenses," "Boxes 39 to 42," and "Boxes 130 and 131 – Renunciation" on pages 21, 36, and 37 respectively.

Chapter 8 – T5013 slip, Statement of Partnership Income

Before completing the T5013 information slips, read the section called "How to complete the forms" on page 24 for important information about how to complete the amount boxes.

If you are preparing an amended T5013 information slip, also see the sections called "How to correct your *Partnership Information Return*" and "Changes to the T5013 information slips" on page 7.

General

Complete one T5013 information slip for each partner, and record all relevant information.

Note

If you do not enter all the information we ask for in boxes 1 to 12, we may contact you to get the missing information or ask you to send us amended T5013 information slips. Missing information can delay our processing of a partner's return.

The instructions on how to complete the boxes on the T5013 information slip may be different depending on whether the partner is a **general partner**, **limited partner**, or **specified member**. See pages 16 and 17 for definitions of these types of partners.

Details

This guide identifies **most** of the situations when you will need to give the partner more details. You may also need to clarify other amounts allocated to a partner on the T5013 information slip. Report this information in the "Details" area of the information slip.

If there is not enough room on the T5013 information slip, use a separate sheet of paper and send the partner two copies with the T5013 information slip.

How to complete the T5013 information slip for all partners

Fiscal period end

Enter the four numeric characters for the year and two numeric characters for the month of the fiscal reporting period.

Example

Enter a December 31 2003 year-end as

2003	12
------	----

If the partnership discontinued its operations, see the section called "Final information return" on page 6.

Box 01 – Partnership's filer identification number

Enter the partnership's filer identification number we have assigned. If you do not have a filer identification number, leave this box blank. Do **not** enter the partnership's Business Number in this box. For more information, see the section called "Partnership's filer identification number" on page 24.

Box 02 – Tax shelter identification number

If the partnership is a tax shelter, enter the tax shelter identification number we have assigned. If the partnership is not a tax shelter, leave this box blank. Do **not** enter the partnership's Business Number in this box. For more information, see the section called "Tax shelter identification number" on page 17.

Box 03 – Is this a publicly traded partnership?

Are the partnership units distributed through a registered dealer? Tick (✓) the *No* or *Yes* box, as it applies.

Box 04 – Partnership code

This code identifies the partnership's status for income tax purposes. Use:

- "0" for a general partnership; or
- "1" for a limited partnership.

Box 05 – Business code

This code describes the partnership's principal business activity.

All partnerships other than limited partnerships – In the first three spaces of box 05, provide the business code from the following list that best describes the partnership's principal business or activity. Leave the fourth space blank.

Principal business or activity	Business code
Business (includes a rental business)	1 3 5
Professional	1 3 7
Commissions	1 3 9
Farming	1 4 1
Fishing	1 4 3

Rental (rental income (or loss) from property – non-business activity)	1 2 6
Other	1 3 0

Limited partnerships – Put code "1 2 2" in the first three spaces of box 05. In the fourth space, use the **last number** from the business code listed above which best describes the limited partnership's **principal** business or activity.

Example

If the limited partnership's principal business activity is fishing (business code 1 4 3) enter the limited partnership's business code as:

1	2	2	3
---	---	---	---

Box 06 – Tax shelter's principal business activity and code

Enter the description and code from the following list which best describes the tax shelter's principal business activity.

Description	Code
Charters and rentals	0 1
Films, videos, records, and tapes	0 2
Franchises	0 3
Hotels and motels	0 4
Manufacturing	0 5
Property development and sale	0 6
Recreational	0 7
Real estate rentals	0 8
Research and development	0 9
Gifting arrangements	1 0
Seismic data	1 1
Software	1 2
Farming	1 3
Mining	1 4
Oil and gas (other than seismic data)	1 5
Other (describe)	1 6

Box 07 – Country code

Enter "CAN" if the partner resides in Canada. If the partner resides in a country **other than** Canada, enter the appropriate three-letter code for the country where the partner resides from Appendix B on pages 54 and 55.

Box 08 – Member code

To identify the partner's membership status within the partnership for income tax purposes, use:

- "0" for a **limited partner**, at any time during the fiscal period;
- "1" for a **specified member** who is not a limited partner;

“2” for a **general partner**; or

“3” for a **limited partner’s exempt interest** as defined in subsection 96(2.5).

For the definition of these terms, see pages 16 and 17.

Member code for retired partner

If a partner has retired but is receiving income as described in subsection 96(1.1), we consider the retired partner to be a member of the partnership. Therefore, you have to determine the appropriate member code for that retired partner. If the partner was a general partner before retirement, depending on the circumstances, we may still consider the retired partner to be a general partner, or we may consider the retired partner to be a specified member who is not a limited partner.

Example

Before retirement, Carl (an individual) was a general partner of the partnership. After retirement, Carl continues to receive payments from work in progress.

Situation 1 – Carl is still **actively engaged** in the partnership’s business. In this case, we consider Carl to be a **general partner**.

Situation 2 – Carl is **carrying on a business activity** that is similar to that of the partnership. In this case, we consider Carl to be a **general partner**.

Situation 3 – Carl is not actively engaged in the partnership’s activities **and** is not carrying on a business activity that is similar to that of the partnership. In this case, we consider Carl to be a **specified member** who is not a limited partner.

Box 09 – Number of partnership units held

If the partnership is a tax shelter, enter the number of partnership units, complete to **all** decimal places, held by the partner at the partnership’s fiscal period end.

Box 10 – Partner’s share (%) of partnership income (loss)

Enter the partner’s share of the partnership income (or loss) as a percentage, complete to **all** decimal places.

If the partnership is a tax shelter, and you have entered the number of partnership units in box 09, you can leave this area blank.

Use the “Details” area to explain more complex sharing arrangements that cannot be shown as a percentage or as units.

Box 11 – Recipient code

To identify the type of partner, use:

“1” for an individual, other than a trust;

“3” for a corporation; or

“4” for a trust or a partnership.

Box 12 – Recipient’s identification number

For an individual – Enter the social insurance number (SIN).

The preparer of a T5013 information slip has to make a reasonable effort to get a partner’s SIN. However, if the partner has not given the SIN when you prepare the T5013 information slip, leave this area blank.

If the partner says that he or she does not have a SIN and has to apply for one, leave this area blank. **Do not delay** completing the annual *Partnership Information Return* beyond the due date.

If a partner gives a SIN after you have sent us the *Partnership Information Return*, prepare an amended T5013 information slip.

Penalties can apply if you do not give the SIN. For more information, see page 11.

For a corporation – Enter a “0” followed by the corporation’s Business Number. You can get this number from any officer of the corporation.

For a partner that is a trust – Enter the trust account number for that trust. You can get this number from the trustee of the trust.

For a partner that is a partnership – Enter the partnership’s filer identification number or the Business Number for that partnership.

Partner’s name and address

Type or clearly print this information as described in the following sections.

Partner’s name

For an individual – Enter the **last name first**, followed by the usual first name and initials.

For a corporation – Enter the full name of the corporation.

For a partnership – Enter the full partnership name.

For a trust – Enter the full name of the trust.

Partner’s address

In all cases, enter the **complete mailing address** of the partner, or of the responsible trustee, executor, liquidator, or administrator if the partner is a trust. Include the following:

- number and street name;
- suite, apartment, or post office box number;
- city;
- province, territory, or state (use the appropriate two-letter code from Appendix A on page 53);
- postal, zip, or other such code; and
- country (use “CAN” or the appropriate three-letter code from Appendix B on pages 54 and 55).

Partnership's name and address

Enter the partnership's **full** name and complete address as entered on the T5013 Summary.

How to complete boxes 18 to 145

General

Before completing boxes 18 to 145, make sure you have:

- adjusted the partnership's net income (or loss) for income tax purposes; and
- considered each partner's membership status within the partnership for income tax purposes (general, limited, or specified) when you calculated the amounts allocated to the partner.

For more information, see Chapter 6 – "Determining the net income (or loss) of the partnership and partners" starting on page 18. For definitions of the partner's membership status, see pages 16 and 17.

The rules for allocating amounts to partners can vary depending on the type of partner. Therefore, under each heading for boxes 18 to 145 in this guide, we have separated the information for general and limited partners. If there is no difference, the information is under the heading "All partners."

All partnerships should complete "Section 1 – Partnership information." The amounts in boxes 18 to 48 are specific amounts for each partner.

Partnerships that are tax shelters should also complete "Section 2 – Tax shelter information" if the tax shelter sold units in the year to the partner. Tax shelter income and losses are to be reported in Section 1. The amounts in boxes 53 to 58 are specific amounts for each partner.

Partnerships that invested in flow-through shares, attributed assistance, or incurred Canadian resource expenses because of a renunciation of an amount for exploration and development expenses by a principal-business corporation, should also complete "Section 3 – Allocation of Canadian exploration and development expenses." The amounts in boxes 130 to 145 are specific amounts for each partner.

Section 1 – Partnership information

All partnerships should complete Section 1.

Box 18 – Canadian and foreign net business income (loss)

All partners – Allocate the partner's share of the partnership's net total business income. Start with the net amount on line 181 in Area C of the T5013 Summary.

- Amounts you **have** to include:
 - If the cumulative eligible capital balance on line 7 in Section A of Form T5017, *Calculation of Deduction for Cumulative Eligible Capital of a Partnership*, is negative, include the part that qualifies as business income.
 - Include any recapture of earned depletion from box 43 and resource profits from box 44.

- Amounts you should **not** deduct:
 - Do **not** deduct carrying charges incurred for earning any investment income. These amounts are included in box 30.
 - If there is business income from foreign countries, do **not** deduct any tax that the foreign country withheld from the amount of foreign income. Report the foreign tax withheld in box 33. Report all amounts in **Canadian** dollars.
 - Do **not** deduct assistance for exploration and development expenses that are included in boxes 46 to 48.
- Amounts you should **not** include:
 - Do **not** include exploration and development expense amounts that are included in boxes 39 to 42.

Partnerships that invested in flow-through shares – Do **not** include in box 18 any renounced resource expenses entered in boxes 130 to 135 in Section 3 of this T5013 information slip.

Partnerships that are tax shelters – Enter the reduced amount of the expenditure after applying section 143.2. Do **not** deduct carrying charges incurred for earning any investment income. These amounts are included in box 30.

Details

Complete the "Details" area for each of the following situations that applies:

- **An eligible partnership that, under the alternative method (subsection 249.1(4)), is keeping its fiscal period that does not end on December 31** – If the partnership has not maximized the permissive deductions in the income included in box 18, report the amount of additional deductions that the partner needs to calculate the reserve amount (i.e., amounts to maximize permissive deductions). An affected partner needs this information to complete Form T1139, *Reconciliation of 2003 Business Income for Tax Purposes*.
- **An eligible partnership that, under subsection 249.1(6), is revoking its election to keep an off-calendar fiscal period** – A partnership that revokes its election to keep an off-calendar fiscal period and changes its fiscal period to end on December 31, 2003, must also report its income for the fiscal period that starts in 2003 and ends on December 31, 2003. In the "Details" area, report the partner's share of business income for the period ending December 31, 2003, that is included in box 18.

If the partnership has not maximized the permissive deductions in the income for the period ending December 31, also report the amount of additional deductions that the partner needs to calculate the reserve amounts (i.e., amounts to maximize permissive deductions for the period ending December 31). An affected partner needs this information to complete Form T1139, *Reconciliation of 2003 Business Income for Tax Purposes*. The partners should tick the box at line 6673 in the election area of Form T1139 to indicate that the partnership is revoking its election.

The reserve provision under section 34.2 applies only to business income. Therefore, when the partners complete Form T1139, they will not be able to claim a reserve based on the property income earned during that period.

For more information, see the section called “Revoking your partnership’s election to have an off-calendar fiscal period” on page 15.

- **Farming income (or losses)** – If net farming income includes farming losses that flow through to the partners, identify separately the amount of the farming income and the farming loss allocated to the partner. Include a footnote to tell each partner that they could have a restricted farm loss. The partner needs this information because the rules on restricted farm losses apply to each partner, not to the partnership.
- **Income (or loss) from more than one business source** – If the net business income (or loss) is from more than one source, give details of the net business income (or loss) (source and amounts) from each business.

Example

“Details” area

Box 18: Net income, \$12,500, includes \$20,000 net business income and a (\$7,500) net farming loss. You could have a restricted farm loss.

- **Negative balance on line 7 in Section A of Form T5017, that is business income (other than the recapture of annual allowances deducted in previous years)** – When the partnership has such business income, partners who are individuals will need more information.

Use the “Details” area to report the amount of:

- **business income from the disposition of eligible capital property (other than the recapture of annual allowances deducted in previous years)** – Partners who are individuals and who have elected under subsection 110.6(19) and created an **exempt capital gains balance** for their interests in the partnership need this information so they can use their exempt capital gains balance to reduce their share of such business income. Calculate this amount in Section B of Form T5017.
- **farming income eligible for the capital gains deduction from the disposition of eligible capital property that is qualified farm property (QFP)** – Under subsection 14(1.1), we consider a part of the business income from the disposition of eligible capital property that is QFP to be a taxable capital gain for claiming the capital gains deduction. Calculate this amount in Section C of Form T5017. Identify that amount separately as “farming income eligible for the capital gains deduction.”
- **Multiple jurisdictions** – If a partnership has income (or losses) in more than one province or territory, from business operations with a permanent establishment in such provinces or territories, identify the amounts by province or territory, whichever applies. The partner needs this information to calculate provincial or territorial income tax payable. If the partnership has

foreign business income (or losses), identify the amounts from each foreign country.

- **Partner is a corporation** – If the partner is a corporation, identify:
 - the total income (or loss) from an active business carried on in Canada; and
 - the Canadian manufacturing and processing profits under subsection 125.1(3).

Limited partners – Losses allocated to a limited partner in a taxation year are restricted to that limited partner’s at-risk amount at the end of the fiscal period of the partnership, minus certain other deductions. We define the **at-risk amount** on page 12 and give two examples on pages 13 and 14 to show you how to calculate the amount for box 18.

You cannot allocate a loss that has been created or increased by SR&ED expenditures to a limited partner. For more information, see the section called “Scientific research and experimental development (SR&ED)” on page 20.

Box 19 – Foreign net business income (loss)

All partners – Enter the partner’s share of the foreign business income (or loss) already included in box 18.

Complete the “Details” area to report:

- any part of foreign business income that is exempt from Canadian tax because of a tax convention or agreement; and
- the amount of the foreign business income from each foreign country. The partner needs this information to calculate the foreign tax credits, which are calculated separately for each country.

Box 20 – Canadian and foreign net rental income (loss)

All partners – Allocate the partner’s share of the partnership’s net rental income (rental income (or loss) from property – non-business activity). Start with the net amount on line 201 in Area C of the T5013 Summary.

Do **not** deduct carrying charges incurred for earning the non-business rental income. These amounts are included in box 30.

If there is rental income from foreign countries, do **not** deduct any tax that the foreign country withheld from the amount of foreign income. Report the foreign tax withheld in box 33. Report all amounts in **Canadian** dollars.

Limited partners – Losses allocated to a limited partner in a taxation year are restricted to that limited partner’s at-risk amount at the end of the fiscal period of the partnership, minus certain other deductions. We define the **at-risk amount** on page 12 and give an example on page 13 to show you how to calculate the amount for box 20.

Partnerships that are tax shelters – Enter the reduced amount of the expenditure after applying section 143.2. Do **not** deduct carrying charges incurred for earning the non-business rental income. These amounts are included in box 30.

Box 21 – Foreign net rental income (loss)

All partners – Enter the partner’s share of the foreign rental income (or loss) already included in box 20. Report all amounts in **Canadian** dollars.

Complete the “Details” area to report:

- any part of foreign rental income that is exempt from Canadian tax because of a tax convention or agreement; and
- the amount of foreign rental income from each foreign country. The partner needs this information to calculate the foreign tax credits, which are calculated separately for each country.

Box 22 – Capital cost allowance

All partners – Enter the partner’s share of the capital cost allowance (CCA) you included to calculate the net income (or loss) you reported in boxes 18 to 21. Do not include terminal losses in this amount.

The partner needs this amount to calculate adjusted taxable income for the purpose of calculating federal alternative minimum tax on Form T691, *Alternative Minimum Tax*, and the additional tax for minimum tax purposes on the appropriate provincial and territorial tax and credit Form 428.

Complete the “Details” area if the partnership claimed CCA on rental or leasing property, or on certified productions. In each case, state the class of the property and for certified productions also state the Canadian Audio-Visual Certification number.

Box 23 – Capital gains (losses)

All partners – Allocate the partner’s share of capital gains and losses, and of capital gains dividends. Start with the total amount on line 232 in Area C of the T5013 Summary. This is the full amount of the capital gain, not the taxable part.

Do **not** deduct any allowable reserves for the period. Report the amount of any capital gains reserve that you have allocated to the partner in box 24.

Include all capital gains (or losses) from Canadian and foreign sources. Do **not** include a business investment loss (these amounts are included in box 28).

Complete the “Details” area for each of the following situations that applies:

- **Capital gains (losses) on line 232 include reserves allocated in the previous year** – State that the amount in box 23 includes last year’s reserve brought into income for the current year, and specify the amount.
- **Qualified farm property or qualified small business corporation shares** – If all or part of the capital gains amount is eligible for the \$500,000 capital gains exemption, give the details for the partner.

■ **Foreign capital gains (or losses)** – Report the breakdown between Canadian and foreign transactions. Report all amounts in **Canadian** dollars.

- If capital gains (or losses) are from one or more foreign countries, report the total amount of capital gain (or loss) from each foreign source, and give the name of the country. The partner needs this information to calculate the foreign tax credits on foreign business and non-business income.
- Identify any foreign capital gain that is exempt from Canadian tax because of a tax convention or agreement.
- Do **not** deduct any foreign taxes withheld when you calculate the gain (or loss). Report the amount of any foreign taxes withheld in box 33.

■ **Capital gain from a security the partnership donated to a qualified donee** – If any part of the capital gains are from making a donation to a qualified donee (other than a private foundation) of a property described in paragraph 38(a.1), identify these capital gains as “Capital gains from a security the partnership donated,” and give details of the “eligible amount” and the “advantage” for the partner. Separately report capital gains from:

- mutual fund units and other shares; and
- bonds, debentures, promissory notes, and other properties.

Partners who are individuals need the information about the “advantage” to complete line 174 of Schedule 3 of their returns, and about the “eligible amount” to complete Form T1170, *Capital Gains on Gifts of Certain Capital Property*.

■ **Capital gain from ecologically sensitive land the partnership donated to a qualified donee** – If all or part of the capital gains are from making a donation to a qualified donee (other than a private foundation) of a property that is ecologically sensitive land, identify these capital gains as “Capital gains from ecologically sensitive land the partnership donated,” and give details of the “eligible amount” and the “advantage” for the partner.

Partners who are individuals need the information about the “advantage” to complete line 174 of Schedule 3 of their returns, and about the “eligible amount” to complete Form T1170, *Capital Gains on Gifts of Certain Capital Property*.

Box 24 – Capital gains reserve

All partners – Allocate the partner’s share of any capital gains reserve for the fiscal period. Start with the total amount on line 242 in Area C of the T5013 Summary.

Complete the “Details” area to report each of the following situations that applies:

- **Capital gains reserve from the disposition of:**
 - qualified farm property (QFP);
 - qualified small business corporation shares (QSBCS);
 - property other than QFP or QSBCS; and

– capital property disposed of before November 13, 1981.

Partners who are individuals need this information to complete Form T2017, *Summary of Reserves on Dispositions of Capital Property*.

- **Capital gains reserve from a non-qualified security the partnership donated to a qualified donee** – If all or part of the capital gains are from making a donation to a qualified donee of a non-qualified security, other than an excepted gift (described in subsection 118.1(18)), the partnership may qualify to claim a reserve as described in subsection 40(1.01).

For gifts of non-qualifying securities made after December 20, 2002, the reserve you can claim **cannot** be greater than the eligible amount of the gift.

Use the “Details” area to provide the reserve information, and give details of the “eligible amount” for the partner. Partners who are individuals need this information to complete Form 2017, *Summary of Reserves on Dispositions of Capital Property*.

For taxation years ending before the end of the 60-month period following the donation of the non-qualified security, the partnership must bring into income the preceding year’s capital gains reserve, if it claimed a reserve. During this period, if the donee still holds the property, the partnership can claim a current year’s capital gains reserve for the donated non-qualifying security.

If the donee disposes of the gift before the end of the 60-month period following its donation, the partners may qualify to make a claim for the donation. For more information, see the section called “Box 34 – Charitable donations and government gifts” on page 35.

Box 25 – Actual amount of dividends from corporations resident in Canada

All partners – Allocate the partner’s share of the **actual** amount of dividends that the partnership received, or is considered to have received, from taxable Canadian corporations. Start with the amount on line 250 in Area C of the T5013 Summary.

Do **not** deduct carrying charges incurred for earning the dividend income. These amounts are included in box 30.

Complete the “Details” area for:

- **Partners who are individuals (other than a trust that is a registered charity)** – Enter the taxable amount of the dividends (125% of the actual amount) and the federal dividend tax credit (13.3333% of the taxable amount).
- **Partners resident in Newfoundland and Labrador** – Provide a breakdown of the dividends for those partners residing in Newfoundland and Labrador on December 31, 2003, or who have tax payable in that province. In this case, for dividends declared and paid before March 22, 2002, the rate is 9%.

Box 26 – Interest from Canadian sources

All partners – Allocate the partner’s share of interest income from Canadian sources that the partnership

received, or is considered to have received. Start with the amount on line 260 in Area C of the T5013 Summary.

Do **not** deduct carrying charges incurred for earning the interest income. These amounts are included in box 30.

Do **not** include interest income from a business activity that you have already included in box 18.

The partnership may be able to deduct interest paid to a partner on a loan from that partner. The interest paid by the partnership is interest income for the partner. Report this interest income on a T5 information slip to the partner, not on a T5013 information slip.

Box 27 – Foreign dividend and interest income

All partners – Allocate the partner’s share of the combined foreign dividend and interest income from sources outside Canada. Start with the amount on line 270 in Area C of the T5013 Summary. Report all amounts in **Canadian** dollars.

Do **not** deduct any tax that the foreign country withheld from the foreign income. Report the amount of any foreign taxes withheld in box 33.

Do **not** deduct carrying charges incurred for earning the foreign dividend and interest income. These amounts are included in box 30.

Complete the “Details” area to report:

- any part of foreign investment income that is exempt from Canadian tax because of a tax convention or agreement; and
- the amount of foreign investment income from each foreign country. The partner needs this information to calculate the foreign tax credits, which are calculated separately for each country.

Box 28 – Business investment loss(es)

All partners – Allocate the partner’s share of the business investment loss. Start with the amount on line 280 in Area C of the T5013 Summary. See page 15 for the definition of a **business investment loss**.

Complete the “Details” area, reporting:

- the name of the small business corporation;
- the number and class of shares, or the type of debt disposed of;
- insolvency, bankruptcy, or wind-up date;
- the date the partnership bought the shares or acquired the debt;
- the amount of the proceeds of disposition;
- the adjusted cost base of the shares or debt;
- the amount of any outlays and expenses on the disposition; and
- the amount of the loss.

The partners have to provide the information to us when they use the amount to calculate their allowable business investment loss deduction using “Chart 6 – How to claim

an allowable business investment loss," in our income tax guide T4037, *Capital Gains*.

Box 30 – Carrying charges

All partners – Allocate the partner’s share of carrying charges that the partnership incurred for earning all investment income. This includes all amounts covered in paragraphs 20(1)(c) to (f). Report all amounts in **Canadian** dollars. Use the “Details” area to report the carrying charges relating to each source of investment income.

The partner needs this amount to calculate adjusted taxable income for the purpose of calculating the alternative minimum tax on Form T691, *Alternative Minimum Tax*, and the additional tax for minimum tax purposes on the appropriate provincial and territorial tax and credit Form 428.

If carrying charges include Canadian sources and foreign sources, complete the “Details” area to identify the amount relating to each source. The partner needs this information to calculate the foreign tax credits, which are calculated separately for each country.

Box 31 – Limited partnership loss available for carryforward

Limited partner only – Enter the amount of the limited partner’s limited partnership loss that can be carried forward to later years. The limited partner can carry this amount forward indefinitely, and deduct it in a later year if, at that time, the limited partner has a positive at-risk amount after deducting the amounts specified under subparagraph 111(1)(e)(ii).

Example

The current-year business loss share for Brian is \$25,000.

Brian is a limited partner whose at-risk amount is \$10,000.

Therefore, the part of the business loss that Brian cannot deduct in the current year is \$15,000 (\$25,000 – \$10,000), and Brian’s current-year business loss allowable in the current year is \$10,000 (equals Brian’s positive at-risk amount).

On the T5013 information slip:

Limited partner’s at-risk amount:	Box 45	10000	00
Canadian and foreign net business income (loss):	Box 18	(10000)	00
Limited partnership loss available for carryforward:	Box 31	(15000)	00

Note

Report the amount of the current year’s limited losses that the limited partner can use in the current year in boxes 18 or 20, as they apply. For information about amounts you can allocate to a limited partner in a taxation year, see the instructions for “Limited partners” on page 31 at the end of the section called “Box 18 – Canadian and foreign net business income (loss).”

Complete the “Details” area to show the amount that the limited partner can claim if the partnership:

- included an amount in box 31 in a previous taxation year that could not have been claimed by the limited partner before this time;
- included an income in box 18 or 20 for this taxation year; and
- the limited partner has a positive at-risk amount in box 45 after deducting the amounts specified under subparagraph 111(1)(e)(ii).

Example

“Details” area

Box 31: You have a limited partnership loss carryforward of \$9,000 from 2002. You can claim \$4,800 this taxation year to offset the income in box 18 (or box 20, as the case may be). Claim this loss amount on line 251 of your income tax and benefit return.

For more information about limited partnership losses, see Chapter 6 starting on page 18, including the sections called “Scientific research and experimental development (SR&ED),” on page 20, and “Losses,” and “Limited partner’s loss calculations” on page 23. We also provide examples on pages 13 and 14 to show you how to calculate the amounts for boxes 18 and 20, and how to complete the T5013 information slip. The definition of **at-risk amount** is on page 12.

Box 32 – Income tax deducted

All partners – Allocate the partner’s share of income tax withheld from amounts paid or credited to the partnership in the fiscal period. For example, if the partnership operates a farming business, tax may have been withheld at source from patronage dividends.

The partnership does not have to withhold tax from a partner’s share of income, a partner’s drawings from the partnership, or salaries or wages paid to the partner as allocations of partnership income. However, each partner may have to make instalment payments of income tax due on partnership income.

For more information, see our pamphlet P110, *Paying Your Income Tax by Instalments* or our income tax guide T7B-CORP, *Corporation Instalment Guide*.

Box 33 – Foreign tax paid

All partners – Enter the partner’s share of foreign taxes that the partnership paid. Report all amounts in **Canadian** dollars.

This amount includes the foreign income tax that the partnership paid or that was withheld at source on both business income (box 19) and non-business income (boxes 21, 23, and 27). For more information about business income tax and non-business income tax, see Interpretation Bulletin IT-270, *Foreign Tax Credit*.

Complete the “Details” area to report the breakdown between the income taxes paid on business income **and** on non-business income for each foreign country.

Box 34 – Charitable donations and government gifts

All partners – Allocate the partner's share of the eligible amount of the gifts.

See the section called "Charitable donations and government gifts" on page 21.

Complete the "Details" area to report:

- the value of the gift (if cash, the amount; if property, the fair market value of the property when the partnership gave the gift);
- the name of the gift's recipient;
- the date the recipient received the gift;
- a brief description of the property, if it is a gift of property other than cash; and
- the donor's name that the recipient recorded on the receipt.

Keep the official receipts for charitable donations and government gifts with the partnership's books and records. For more information, see the section called "Receipts" on page 9.

Box 35 – Cultural and ecological gifts

All partners – Allocate the partner's share of the eligible amount of all cultural and ecological gifts. See the section called "Cultural and ecological gifts" on page 22.

If you allocate gifts of cultural property, you have to attach Form T871, *Cultural Property Income Tax Certificate*, to the T5013 Summary.

If you allocate gifts of ecologically-sensitive land, you have to attach the certificate issued by the federal Minister of the Environment.

For more information, see Interpretation Bulletin IT-407, *Dispositions of Cultural Property to Designated Canadian Institutions*.

Complete the "Details" area to report:

- the value of the gift (fair market value of the property when the partnership gave the gift);
- the name of the gift's recipient;
- the date the recipient received the gift;
- a brief description of the property; and
- the donor's name that the recipient recorded on the receipt.

Box 36 – Federal political contributions

All partners – Allocate the partner's share of the eligible amount of contributions to a registered federal political party or to a candidate for election to the House of Commons of Canada. See the section called "Contributions to registered parties and candidates" on page 22.

Box 37 – Provincial and territorial political contributions

All partners – Allocate the partner's share of contributions to a registered provincial or territorial political party, or to a candidate in a provincial or territorial election.

Some provinces and territories also allow contributions to a registered constituency association. Contact the applicable provincial or territorial authority for more information.

Complete the "Details" area to identify contributions by province or territory when a partnership has income (or losses) in more than one province or territory from business operations with a permanent establishment in such provinces or territories. The partners may be entitled to claim political contributions for those provinces or territories.

Box 38 – Investment tax credit

Allocate the total amount of any investment tax credits (ITC) the partner is entitled to. Do **not** include any ITC for qualified Canadian exploration expenditures – we consider that ITC earned for those expenditures are earned by the partners and do not flow through the partnership to any partner. A qualified Canadian exploration expenditure does not include expenditures incurred after 1990.

At the end of its fiscal period, the partnership will generally allocate the partner's share of ITC. However, you cannot allocate to **specified members** the ITC earned on qualified scientific research and experimental development (SR&ED) expenditures.

Your partnership may have claimed ITC on materials that were consumed, or on equipment used, in the intended course of performing SR&ED in Canada. In some cases, you may have to recapture some or all of the ITC. For more information, see the section called "Investment tax credit recapture" on page 20.

Complete the "Details" area to:

- enter the investment amount, code, rate, and credit for each type of property or expenditure eligible for the ITC;
- identify the amount of excess ITC recapture that the partner has to include in Part I tax; and
- identify each qualified expenditure for SR&ED.

Limited partner – The partnership can allocate to a limited partner the part of the ITC you can attribute to the limited partner (other than ITC on SR&ED expenditures) that is equal to or less than whichever is **less**:

- the limited partner's at-risk amount in the partnership at the end of the partnership's fiscal period; or
- the limited partner's expenditure base as calculated under subsection 127(8.2).

Generally, the ITC you cannot allocate to a limited partner can be transferred, under subsection 127(8.3), to any partners who are not limited partners. You have to base the amounts transferred on the respective partnership interest of each such partner, including debts of the partnership. However, you cannot transfer to any other partners the ITC

that was earned on qualified SR&ED expenditures and that would otherwise be transferred to specified members.

Specified member – You can allocate ITC that the partnership earned according to each specified member's share of ITC at the end of the partnership's fiscal period. However, you **cannot** allocate ITC earned on qualified SR&ED expenditures to specified members, nor can you transfer those unallocated ITC amounts to any other partner.

The ITC (other than ITC earned on qualified SR&ED expenditures) that you could not allocate to a specified member can be transferred under subsection 127(8.3) to any partners that are not limited partners. You have to base the amounts transferred on the respective partnership interest of each such partner, including debts of the partnership.

See page 17 for the definition of **specified member**.

General partners – You can allocate ITC that the partnership earned according to each partner's share of ITC at the end of the partnership's fiscal period. You have to base the amounts allocated under subsection 127(8), or transferred under subsection 127(8.3), on the respective partnership interest of each such partner, including debts of the partnership.

Election – A partner (other than a limited partner) can choose to renounce the ITC that the partnership transferred under subsection 127(8.3) for the fiscal period. If a partner makes this choice, that partner has to complete Form T932, *Election by a Member of a Partnership to Renounce Investment Tax Credits Pursuant to Subsection 127(8.4)*.

Boxes 39 to 42

Do **not** include in boxes 39 and 40 any renounced resource expenses entered in boxes 130 to 133 of Section 3.

General partners – Allocate, in the appropriate box, the partner's **full** share of Canadian exploration expenses (CEE), Canadian development expenses (CDE), Canadian oil and gas property expenses (COGPE), and foreign exploration and development expenses (FEDE) that the partnership incurred.

The partners will calculate the allowable deductions for the current year based on their own cumulative CEE, CDE, COGPE, and FEDE pools.

Limited partnerships – You have to restrict a limited partner's share of resource expenses to the partner's **adjusted at-risk amount**. The **adjusted at-risk amount** is the at-risk amount reduced by the limited partner's share of any investment tax credit and any farming losses. However, the entitlement to any assistance which results in a reduction in a limited partner's cumulative CEE, CDE, or COGPE pools does not reduce a limited partner's at-risk amount. We define the **at-risk amount** on page 12, and give an example on page 13 to show you how to calculate the amount for box 39.

The limited partner's share of the resource expenses that are **greater** than the adjusted at-risk amount reduces the limited partner's share of resource expenses in the following order:

1. Canadian oil and gas property expenses (COGPE);
2. Canadian development expenses (CDE);

3. Canadian exploration expenses (CEE); and
4. foreign exploration and development expenses (FEDE).

If there is an excess of resource expenses that you cannot allocate to the limited partner in the current year, you can add the excess to that class of expenses that the partnership incurs in the next fiscal period. Therefore, you can carry forward the limited partner's excess indefinitely, and allocate it when the limited partner can deduct it.

Box 43 – Recapture of earned depletion

Enter the partner's share of the earned depletion recapture that you have included in arriving at the net income (or loss) reported in box 18.

Box 44 – Amount eligible for resource allowance deduction

Enter the partner's share of adjusted resource profits you have included in arriving at the net income (or loss) reported in box 18. The amount of adjusted resource profits may be positive or negative. Generally, if this amount is positive, the partners may be able to claim 25% of this amount as a resource allowance deduction. If this amount is negative, there will be a prescribed resource loss, 25% of which the partner will have to include in income.

Do **not** include in box 44 any renounced resource expenses entered in boxes 130 and 131 of Section 3.

Box 45 – Limited partner's at-risk amount

Limited partner only – Enter the amount of the limited partner's at-risk amount. We define the **at-risk amount** on page 12 and give two examples on pages 13 to 14 to show you how to calculate the amount for box 45.

If the partnership is a grandfathered partnership as described under the heading "Limited partner's exempt interest" on page 16, and you have entered member code "3" in box 08 indicating a limited partner's exempt interest, you do not have to report an amount in box 45. Instead, put an asterisk (*) in box 45 and include a note in the "Details" area explaining that the partnership is not subject to the at-risk rules.

Boxes 46 to 48

Do **not** include in boxes 46 to 48 any assistance entitlement from renounced resource expense assistance entered in boxes 134 and 135 of Section 3.

General partners – Allocate, in the appropriate box, the partner's full share of assistance for CEE, assistance for CDE, and assistance for COGPE that the partnership received.

The partners will use these amounts when they calculate the allowable deductions for the current year based on their own cumulative CEE, CDE, and COGPE pools.

Limited partnerships – You have to restrict a limited partner's share of resource expenses to the limited partner's **adjusted at-risk amount**. For more information about the adjusted at-risk amount, see the section called "Boxes 39 to 42" earlier on this page.

Box 51 – Partnership's total gross income

All partners – Enter the **identical** total gross income amount on each partner's T5013 information slip. Use the amount from line 290 in Area C of the T5013 Summary.

Complete the "Details" area when this amount includes income from more than one source. Identify each type of enterprise (professional, business, rental business, farming, fishing, non-business rental property, or other) and the gross income from each source.

Example

"Details" area

Box 51: Partnership gross income, \$335,000, includes \$300,000 gross business income (other than farming), and \$35,000 gross farming income.

Section 2 – Tax shelter information

General

Complete this section if the tax shelter sold units to the partner in the year. The partners use this information when they claim any tax shelter losses or deductions reported in Section 1 on this information slip.

Box 53 – Number of units acquired

Enter the number of units in the tax shelter the investor **acquired in the year**.

Box 54 – Cost per unit

Enter the acquisition cost of each unit in the tax shelter the investor acquired in the year. Do **not** include units acquired in previous years.

Box 55 – Total cost of units

Enter the total cost of the units (multiply the amount in box 53 by the amount in box 54).

Box 56 – Limited-recourse amounts

Enter the unpaid principal amount of any indebtedness for which recourse is limited. This amount includes the indebtedness of the investor and of all the others with whom the investor does not deal at arm's length if we consider that the amounts are reasonably related to the tax shelter. It also includes the deemed limited recourse amount provided for in subsection 143.2(8).

Box 57 – At-risk adjustment

The at-risk adjustment is defined in subsection 143.2(2). Enter the amount or benefit to which the investor (or any person with whom the investor does not deal at arm's length) is entitled to, that reduces any loss that the investor may have from the holding or disposing of the tax shelter before applying other paragraphs in section 143.2.

Box 58 – Other indirect reductions

Enter the amount of any indirect reduction of the expenditure under subparagraph 143.2(6)(b)(iii).

Section 3 – Allocation of Canadian exploration and development expenses

General

Complete this section if the partnership invested in flow-through shares of a principal-business corporation. If the corporation allocated renounced resource expenses, a reduction of amounts previously renounced, an amount for assistance, or expenses qualifying for an investment tax credit (ITC), it will issue Form T101, *Statement of Resource Expenses*. Use the information from the T101 information slip to complete Section B of Form T5016, *Summary Information for Tax Shelters That are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members*. The amounts in the total boxes in Section B on the T5016 Summary are the amounts you have to allocate to the partners.

The partners will calculate the allowable deductions for the current year based on their own cumulative Canadian exploration expenses (CEE) and Canadian development expenses (CDE) pools.

Boxes 130 and 131 – Renunciation

General partners – Allocate, in the appropriate box, the partner's **full** share of renounced CEE and renounced CDE that the partnership allocated to its members.

Limited partnerships – You have to restrict a limited partner's share of renounced resource expenses to the limited partner's **adjusted** at-risk amount. For more information about the adjusted at-risk amount, see the section called "Boxes 39 to 42" on page 36.

Boxes 132 and 133 – Adjustment

Allocate, in the appropriate box, the partner's **full** share of any adjustment of CEE previously renounced and CDE previously renounced that the partnership allocated to its members.

Boxes 134 and 135 – Assistance

Allocate, in the appropriate box, the partner's **full** share of any assistance for CEE previously renounced and CDE previously renounced that the partnership allocated to its members.

Box 138 – Expenses qualifying for ITC

Complete this box only if the partner, including an end member, is an individual other than a trust. Those partners need these amounts to complete Form T2038(IND), *Investment Tax Credit (Individuals)*.

Enter the partner's **full** share of any Canadian exploration expenses (surface exploration in the mining sector only) that qualify for ITC that the partnership allocated to its members.

Boxes 139 and 140 – Portion subject to an interest-free period

Enter, in the appropriate box, the partner's **full** share of the reduction that is available for the interest-free period that

the partnership allocated to its members. This is the amount to which an individual is entitled because of an adjustment to an amount affected by the look-back rule.

Boxes 141 to 145 – Expenses qualifying for a provincial tax credit

Enter, in the appropriate box, the partner's **full** share of any Canadian exploration expenses (mining only) that qualify for a provincial tax credit that the partnership allocated to its members.

Partners, including end members, who are individuals (excluding trusts) need these amounts to claim the provincial tax credit. To claim the tax credit, some provinces require that the individual be a resident at the end of the calendar year in that province where the expenses qualify for that credit.

Sample of the T5013 information slip

STATEMENT OF PARTNERSHIP INCOME / ÉTAT DES REVENUS D'UNE SOCIÉTÉ DE PERSONNES

T5013

Fiscal period end / Exercice se terminant le Year / Année: [] [] / Month / Mois: [] []		01 Partnership's filer identification number Numéro d'identification de la société de personnes	02 Tax shelter identification number Numéro d'inscription de l'abri fiscal T S [] [] [] [] [] [] [] []	03 Is this a publicly traded partnership? S'agit-il d'une société de personnes cotée en bourse? No - Non [] Yes - Oui []	
04 Partnership code Code du genre de société de personnes	05 Business code Code du genre d'activité	06 Tax shelter's principal business activity and code Principale activité commerciale de l'abri fiscal et code			07 Country code Code du pays
08 Member code Code de l'associé	09 Number of partnership units held Nombre d'unités détenues de la société de personnes	10 Partner's share (%) of partnership income (loss) Part (%) de l'associé dans les revenus (pertes) de la société de personnes	11 Recipient code Code du bénéficiaire	12 Recipient's identification number Numéro d'identification du bénéficiaire	

Partner's name and address - Nom et adresse de l'associé	Partnership's name and address - Raison sociale et adresse de la société de personnes
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Section 1 - Partnership information - Renseignements sur une société de personnes

18 Canadian and foreign net business income (loss) Revenu net (perte nette) d'entreprise canadien et étranger	19 Foreign net business income (loss) Revenu net (perte nette) d'entreprise étranger	20 Canadian and foreign net rental income (loss) Revenu net (perte nette) de location canadien et étranger	21 Foreign net rental income (loss) Revenu net (perte nette) de location étranger	22 Capital cost allowance Déduction pour amortissement	23 Capital gains (losses) Gains (pertes) en capital	24 Capital gains reserve Provision relative aux gains en capital
25 Actual amount of dividends from corporations resident in Canada Montant réel des dividendes de sociétés résidant au Canada	26 Interest from Canadian sources Intérêts de source canadienne	27 Foreign dividend and interest income Revenu étranger en dividendes et en intérêts	28 Business investment loss(es) Perte(s) au titre d'un placement d'entreprise	30 Carrying charges Frais financiers	31 Limited partnership loss available for carryforward Perte comme commanditaire disponible à reporter	
32 Income tax deducted Impôt sur le revenu retenu	33 Foreign tax paid Impôt étranger payé	34 Charitable donations and government gifts Dons de bienfaisance et dons aux gouvernements	35 Cultural and ecological gifts Dons de biens culturels ou écologiques	36 Federal political contributions Contributions politiques fédérales	37 Provincial and territorial political contributions Contributions politiques provinciales ou territoriales	38 Investment tax credit Crédit d'impôt à l'investissement
39 Canadian exploration expenses Frais d'exploration au Canada	40 Canadian development expenses Frais d'aménagement au Canada	41 Canadian oil and gas property expenses Frais à l'égard de biens canadiens relatifs au pétrole et au gaz	42 Foreign exploration and development expenses Frais d'exploration et d'aménagement à l'étranger	43 Recapture of earned depletion Récupération de la déduction pour épuisement gagnée	44 Amount eligible for resource allowance deduction Montant donnant droit à la déduction relative aux ressources	45 Limited partner's at-risk amount Fraction à risques de la participation du commanditaire
46 Assistance for Canadian exploration expenses Aide pour frais d'exploration au Canada	47 Assistance for Canadian development expenses Aide pour frais d'aménagement au Canada	48 Assistance for Canadian oil and gas property expenses Aide pour frais à l'égard de biens canadiens relatifs au pétrole et au gaz				51 Partnership's total gross income Revenu brut total de la société de personnes

Details - Détails

Complete Section 2 only if the partnership is a tax shelter. Remplissez la section 2 seulement si la société de personnes est un abri fiscal.

Section 2 - Tax shelter information - Renseignements sur un abri fiscal

53 Number of units acquired Nombre d'unités acquises	54 Cost per unit Coût par unité	55 Total cost of units Coût total des unités	56 Limited-recourse amounts Montant à recours limité	57 At-risk adjustment Montant de rajustement à risque	58 Other indirect reductions Autres réductions indirectes
"The identification number issued for this tax shelter shall be included in any income tax return filed by the investor. Issuance of the identification number is for administrative purposes only and does not in any way confirm the entitlement of an investor to claim any tax benefits associated with the tax shelter."			« Le numéro d'inscription attribué à cet abri fiscal doit figurer dans toute déclaration d'impôt sur le revenu produite par l'investisseur. L'attribution de ce numéro n'est qu'une formalité administrative et ne confirme aucunement le droit de l'investisseur aux avantages fiscaux découlant de cet abri fiscal. »		

Complete Section 3 only if the partnership invested in flow-through shares of a principal-business corporation. Remplissez la section 3 seulement si la société de personnes a fait des placements dans des actions accréditatives d'une société exploitant une entreprise principale.

Section 3 - Allocation of Canadian exploration and development expenses - Répartition des frais d'exploration et d'aménagement au Canada

	Renunciation Renonciation	Adjustment Correction	Assistance Montant d'aide		Expenses qualifying for a provincial tax credit Frais admissibles aux fins d'un crédit d'impôt provincial
Canadian exploration expense Frais d'exploration au Canada	130	132	134		BC 141
Canadian development expense Frais d'aménagement au Canada	131	133	135		SK 143
					MB 144
					ON 145
Expenses qualifying for ITC Frais admissibles aux fins du CII	138				
Portion subject to an interest-free period Partie donnant lieu à une période sans intérêt	139	140			

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Chapter 9 – Form T5014, Partnership Capital Cost Allowance Schedule

Capital cost allowance (CCA)

With a few exceptions, you cannot deduct capital expenditures in full when you calculate your partnership's net business or professional income for tax purposes in the year the partnership made the expenditures. Instead, since these properties wear out or become obsolete over time (in other words, they depreciate), you can deduct the capital expenditures from income over a period of several years. These deductions are known as capital cost allowance (CCA).

Depreciable property

Your partnership might acquire a depreciable property, such as a building, furniture, or equipment, to use in your business or professional activities. We consider a property to be depreciable property for which you can claim CCA only if it fits in one of the classes described in Schedule II or Part XI of the *Income Tax Regulations*.

In most cases, land is not a depreciable property, and is not eligible for CCA.

Calculating CCA

To calculate the CCA, first separate all depreciable assets into the appropriate classes. Usually, you calculate the CCA amount for a fiscal period on the previous year's ending undepreciated capital cost (UCC) balance for each class (i.e., the declining balance basis). You have to apply the rate for that class, usually a percentage, to the UCC of that class. However, for certain types of property, such as leasehold interests, you calculate the CCA amount for a fiscal period based on a percentage of the original capital cost of the property (i.e., the straight-line basis).

Capital cost

Generally, the amount you spend to buy a depreciable property is the capital cost of that property. It is the cost of the property, not its value. Along with the purchase price, it includes costs such as delivery, installation, legal, accounting, engineering work, goods and services tax (GST), harmonized sales tax (HST), and any provincial sales tax (PST). For information on the GST/HST input tax credit, see the second paragraph under the section called "Column 4 – Adjustments" on page 42.

For more information, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

Passenger vehicles

Generally, vehicles belong in class 10. However, passenger vehicles may belong in class 10.1. You have to include each passenger vehicle in a separate class 10.1 if it meets **one** of the following conditions:

- your partnership acquired it after December 31, 1997, and before January 1, 2000, and it cost more than \$26,000;

- your partnership acquired it after December 31, 1999, and before January 1, 2001, and it cost more than \$27,000; or
- your partnership acquired it after December 31, 2000, and it cost more than \$30,000.

If your passenger vehicle does not meet **any** of the above conditions, it belongs in class 10.

To determine what class your passenger vehicle belongs to, do **not** include the GST, PST, or HST, when calculating the vehicle's cost.

If the passenger vehicle belongs in class 10.1, CCA is based on the maximum cost in the year plus any taxes that apply on the maximum cost. For more information, see our income tax guide T4002, *Business and Professional Income*, or, if they apply, our income tax guides:

T4003 *Farming Income*

RC4060 *Farming Income and the CAIS Program*

T4004 *Fishing Income*

Restriction on rental buildings

If the partnership receives rental income (business or property), the partnership can generally claim CCA on buildings and equipment such as stoves and refrigerators. However, you generally cannot create or increase a rental loss by claiming CCA on any buildings or equipment for the rental property. If the partnership owns more than one rental building to which this restriction applies, you have to combine all of the rental income from these buildings to calculate the total income (or loss) for the year.

For more information, see our income tax guide T4035, *Rental Income*.

Restriction on computer software tax shelter property

A partnership that is a tax shelter generally cannot create or increase a tax shelter loss by claiming CCA on any computer software tax shelter property.

Disposals

When your partnership disposes of depreciable property, you have to report the disposition in column 5 of Form T5014, *Partnership Capital Cost Allowance Schedule*. Use whichever of the following amounts is **less**:

- the net proceeds (proceeds of disposition minus any outlays and expenses incurred in the disposition); or
- the capital cost of the property.

Property acquired in the year – 50% rule

In the year the partnership acquires depreciable property, the claim for CCA is generally limited to half of the allowable rate for net acquisitions of property in that class. The partnership can claim the full CCA for that property starting in the next taxation year.

This rule applies to both the cost of depreciable property acquired during the year and the increase in UCC from the

repayment of any government assistance after the disposition of a depreciable property.

How to complete Form T5014 with the 50% rule					
Column	Year ending December 2003				
1. Class 8					
2. Opening UCC				\$ 1000	
3. Additions (+)		\$ 700			
4. Adjustments (+ or -)		nil			
5. Disposals (-)		(200)			
Net		<u>\$ 500</u>	▶	<u>500</u>	A
6. UCC		\$ 1500	◀	\$ 1500	
7. 50% limit (50% of A)		(250)			
8. Reduced UCC (column 6 minus column 7)		\$ 1250			B
9. Rate 20%					
10. CCA (20% of B)		(250)	▶	(250)	
		<u>\$ 1000</u>			
11. UCC at end of year (column 6 minus column 10)				<u>\$ 1250</u>	

Complete Form T5014						
Columns:	(1)	(2)	(3)	(4)	(5)	(6)
	8	\$1000	\$700	nil	(\$200)	\$1500
Columns:	(7)	(8)	(9)	(10)	(11)	
	\$250	\$1250	20%	\$250	\$1250	

Class 10.1 – Half-year rule on sale

There is a special rule for a class 10.1 vehicle the partnership disposed of in the current taxation year. In the year that the partnership disposed of the vehicle, you can claim half of the CCA that would have been allowed if the partnership had still owned the vehicle. Use the **half-year rule on sale** when the partnership meets **both** of the following conditions:

- The partnership disposed of a class 10.1 vehicle in the current taxation year.
- The partnership owned the same vehicle at the end of the preceding taxation year.

Available for use

You cannot claim CCA for a property until it is available for use.

Subsection 13(27) provides that **property (other than a building)** is considered available for use at the earliest of several different dates. Generally, you can claim a deduction for CCA at whichever time is the **earliest**:

- when the partnership puts the property into use for the purpose of earning income;
- the start of the first taxation year that begins at least 358 days after the taxation year in which the partnership

acquired the property (i.e., the second fiscal period after the fiscal period the partnership acquired it); or

- just before the partnership disposes of the property.

Under subsection 13(28), a **building** is considered available for use at whichever of the following dates is the **earliest**:

- when the partnership uses all or substantially all of the building for its intended purpose;
- when construction, renovation, or alteration is completed;
- the start of the first taxation year that begins at least 358 days after the taxation year in which the partnership acquired the building (i.e., the second fiscal period after the fiscal period the partnership acquired it);
- just before the partnership disposes of the building; or
- when the property is a replacement property for a building that was acquired before 1990 or that became available for use when the replacement building was acquired.

Capital gain on disposing of property

When the proceeds of disposition of a depreciable property are more than its adjusted cost base (the capital cost for depreciable property) plus outlays and expenses, the difference is a capital gain. You have to include this capital gain in the partnership's income in the taxation year.

Your partnership cannot have a capital loss on depreciable property even if the proceeds of disposition are less than its adjusted cost base. In this case, your partnership may have a terminal loss.

Replacement property

In a few cases, your partnership can elect to postpone or defer adding a capital gain or recapture of CCA to income. Your partnership might sell a business property, and replace it with a similar one, or a partnership property might be stolen, destroyed, or expropriated, and your partnership replaces it with a similar one. You can defer tax on the proceeds of disposition which your partnership reinvests in replacement property within a certain period of time. To defer reporting the capital gain or recapture of CCA, your partnership must acquire and use the new property for the same or a similar purpose as the one that the partnership is replacing.

For more information, see the following interpretation bulletins:

IT-259 *Exchanges of Property*

IT-491 *Former Business Property*, and its Special Release

Recapture and terminal loss

If your partnership disposes of depreciable property, deduct either the capital cost or the net proceeds, whichever is **less**, from the balance (UCC) in the class. (See the section called "Disposals" on page 40.)

Recapture – If the difference after deducting the above amount from the UCC balance is a negative amount, there is a recapture. See the recapture amounts in cases 2 and 3 in

the following chart. You have to include the full recapture amount in the partnership's income in the taxation year.

Your partnership can have a capital gain as well as a recapture when you dispose of a depreciable property. See case 3 in the following chart.

Terminal loss – When your partnership disposes of **all** the property in a class in a taxation year, and the difference after deducting the above amount from the UCC balance is a positive balance at the end of the taxation year, that balance is a terminal loss. See case 1 in the following chart. Deduct the full amount from income in the taxation year your partnership disposes of the properties.

Disposition of property					
Any class		Case 1	Case 2	Case 3	
Capital cost		\$ 5000	\$ 5000	\$ 5000	A
CCA taken		<u>1500</u>	<u>1500</u>	<u>1500</u>	B
UCC		\$ 3500	\$ 3500	\$ 3500	C
Proceeds of disposition		<u>(2500)</u>	<u>(4000)</u>	<u>(6000)</u>	D
Recapture	(C – D)	nil	<u>(\$ 500)</u>		
	(C – A)			<u>(\$ 1500)</u>	
Terminal loss	(C – D)	<u>\$ 1000</u>	nil	nil	
Capital gain	(D – A)	nil	nil	<u>\$ 1000</u>	

Exception – Your partnership cannot have a recapture or terminal loss for vehicles in class 10.1.

For more information about recapture and terminal losses, see Interpretation Bulletin IT-478, *Capital Cost Allowance – Recapture and Terminal Loss*.

How to complete Form T5014

General

If you are preparing an amended Form T5014, read the sections called “How to correct your *Partnership Information Return*” and “Changes to forms T5014, T5015, T5016, and T5017, and to other documents” on page 7.

Do not adjust the current-year Form T5014 for errors made in a previous year. If the error affects the partnership's net income (or loss), amend the previous year's documents and issue amended T5013 information slips to the partners.

Calculate the capital cost allowance (CCA) for **each** business or activity separately.

For more information about specific depreciable properties, see the various interpretation bulletins and our income tax guides:

T4002 *Business and Professional Income*

T4003 *Farming Income*

RC4060 *Farming Income and the CAIS Program*

T4004 *Fishing Income*

Identification

Enter the partnership's name, filer identification number, and the fiscal period end in those areas at the top of the form.

Column 1 – Class number

Enter the class numbers of your properties using a separate line for each class of property. To get this information, use last year's Form T5014, or see Schedule II and Parts XI and XVII of the *Income Tax Regulations*.

Generally, all depreciable property of the same class is grouped together. One exception is class 10.1. For more information on class 10.1, see the section called “Passenger vehicles” on page 40.

Column 2 – Undepreciated capital cost at start of fiscal period

If this is the first fiscal period of the business or activity, leave column 2 blank, and go to the following instructions for column 3.

If this is not the first fiscal period of the business or activity, enter the undepreciated capital cost (UCC) for each class at the end of the previous fiscal period. You will find these figures in column 11 of the previous year's Form T5014.

Column 3 – Cost of additions during fiscal period

If the partnership acquired depreciable property during the taxation year, enter the capital cost for each class. Do **not** enter the cost of land. For more information, see the section called “Capital cost” on page 40.

For more information on the “Available for use” rules, see page 41.

Column 4 – Adjustments

You have to adjust the UCC for each class of assets to which any of the following deductions and additions apply.

Deductions

Enter these amounts in brackets, because they reduce the capital cost of depreciable property.

Government assistance – Deduct the amount of any related assistance the partnership received, or is entitled to receive, from a government, municipality, or other public authority in the taxation year.

Assistance **includes** a grant, a subsidy, and a forgivable loan. Also, if your partnership incurred GST/HST on some of the depreciable property it bought for the business, it may have applied for, and be considered to have received, the related input tax credit from us. We consider this input tax credit to be government assistance.

Investment tax credit (ITC) – The partnership may have earned ITC on depreciable property acquired and available for use in the taxation year, **and** allocated those credits to the partners. We consider that the partnership receives this ITC as assistance. Therefore, the partnership has to deduct, from the capital cost of the depreciable property, the

amount of ITC it allocated to the partners, whether or not the partners claimed the tax credit.

Non-government assistance – A partnership can elect to reduce the capital cost of depreciable property by the amount of related non-government assistance it received.

If you do not reduce the capital cost of the depreciable property by the amount of the related non-government assistance the partnership received, you have to include the assistance in the partnership income.

Forgiven debt – A partnership has to reduce the capital cost of a depreciable property and the UCC of a depreciable property of a prescribed class by the amount of a forgiven debt obligation for which the partnership has made a designation under subsection 80(5), to the extent that subsection 80(6) permits the amount.

Additions

Repayment of assistance – Increase the capital cost of the property when the partnership repays any amount of assistance that previously reduced the capital cost.

For more information, see Interpretation Bulletin IT-273, *Government Assistance – General Comments*, and paragraph 12(1)(x) and subsections 13(7.1), 13(7.4), and 127(12).

Column 5 – Cost or proceeds from disposals during fiscal period, whichever is less

For each depreciable property disposed of during the taxation year, determine which is **less**:

- the proceeds of disposition minus any outlays or expenses incurred in the disposition; or
- the capital cost of the property.

Then, add the amounts for each property disposed of in a class, and enter the total amount in column 5 for the class.

Column 6 – Undepreciated capital cost

For each class of assets, this amount is the subtotal that is the UCC before the restriction on certain depreciable property. For each class, add the amounts in columns 2, 3, and 4 (or subtract the amount in column 4 if it is a negative amount), and subtract the amount in column 5.

If the amount in column 6 is negative, the partnership has a recapture and may also have a capital gain. If no property is left in the class and the column still has a positive amount, the partnership has a terminal loss.

Recapture – Add the amount of any recapture for each class to the partnership's income when you reconcile the partnership's net income (or loss) for income tax purposes.

Terminal loss – Deduct the amount of any terminal loss for each class from the partnership's income when you reconcile the partnership's net income (or loss) for income tax purposes.

Note

Vehicles in class 10.1 cannot have a recapture or terminal loss.

Capital gain – If the proceeds of disposition of a depreciable property are more than its capital cost, a capital gain may occur. For more information, see our income tax guide T4037, *Capital Gains*.

Add the amount of any taxable capital gain to the partnership's income when you reconcile the partnership's net income (or loss) for income tax purposes.

Capital loss – There cannot be a capital loss on the disposition of depreciable property.

We give definitions and examples of how to calculate a **recapture**, **terminal loss**, and **capital gain** on pages 41 and 42.

Column 7 – 50% rule for current-year additions

Generally, an asset acquired during the year is only eligible for half of the usual CCA for the taxation year.

For each class of assets in column 7, enter half of the net amount of columns 3, 4, and 5. If the result is a negative amount, enter "**nil**." For an example of how to complete Form T5014 with the 50% rule, see the section called "Property acquired in the year – 50% rule" on page 40.

Not all additions are subject to the 50% rule:

- Some properties in classes 10 and 12, and properties in classes 13, 14, 15, 23, 24, 27, 29, and 34, are not subject to the 50% rule.
- Property that is considered to have become available for use in the second taxation year after the property was acquired is not subject to the 50% rule.
- Property acquired in certain non-arm's length transfers or in the course of certain reorganizations may be exempt from the 50% rule.

For more information, see subsection 1100(2), *Property Acquired in the Year*, in the *Income Tax Regulations* and Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

Column 8 – Reduced undepreciated capital cost

This is the base amount for the CCA claim.

If your partnership disposed of a class 10.1 vehicle in the current taxation year, you may be able to claim half of the CCA that would have been allowed if the partnership had still owned the vehicle. To determine if you qualify, see the section called "Class 10.1 – Half-year rule on sale" on page 41. If you qualify to claim half of the CCA, enter half of the net amount of columns 2 and 4 for the class 10.1 vehicle.

To claim any CCA (other than for the class 10.1 vehicle described above), you must have property in the class at the end of the taxation year. If there is no property in the class and there is a positive balance in this column (other than for the class 10.1 vehicle described above), you may have a terminal loss. See the definition of **terminal loss** on page 42.

Column 9 – Rate (%)

A maximum rate of CCA for each class is prescribed in the *Income Tax Regulations*.

The rate is usually expressed as a percentage of the UCC of the class at year-end (declining balance method). You can find those percentages in the *Income Tax Regulations*, paragraph 1100(1)(a). These rates may be changed by other provisions in the *Income Tax Regulations*. Use this method to calculate CCA for all classes listed in the *Income Tax Regulations*, paragraph 1100(1)(a).

For depreciable property in classes 13, 14, 15, 19, 20, 21, 24, 27, 29, and 34, the maximum CCA available is in the *Income Tax Regulations*, paragraphs 1100(1)(b), (c), (f), (n), (p), (q), (t), and (ta). These write-offs are usually at a higher rate and over a shorter period of time (straight-line method) than classes listed in paragraph 1100(1)(a).

Enter the appropriate rate prescribed for each class.

Column 10 – Capital cost allowance or lesser amount

A partnership does not have to claim the maximum amount of CCA for any class in any given taxation year. It can claim any amount from zero up to the maximum allowed for the taxation year.

Column 11 – Undepreciated capital cost at end of fiscal period

The UCC at the end of the fiscal period for each class is the amount you get by subtracting column 10 from column 6.

Note

The amount for each class in this column is the amount you should enter in column 2 on Form T5014 for the next fiscal period.

If there is a recapture of CCA or a terminal loss in a class, or if there was a disposition of the passenger vehicle in class 10.1, no balance will remain in that class. In this case, put an asterisk (*) in this column and indicate in a footnote that this class has a recapture or terminal loss.

For more information, see the following interpretation bulletins:

- IT-285 *Capital Cost Allowance – General Comments*
- IT-478 *Capital Cost Allowance – Recapture and Terminal Loss*

Chapter 10 – Form T5015, Reconciliation of Partner's Capital Account

General

If you are preparing an amended Form T5015, read the sections called “How to correct your *Partnership Information Return*” and “Changes to forms T5014, T5015, T5016, and T5017, and to other documents” on page 7.

How to complete Form T5015

This form requests **financial accounting** information that you take from the books and records of the partnership.

For each partner who was a member of the partnership during the fiscal period, give the details requested in each column of the form.

Identification

Enter the partnership's name, filer identification number, and fiscal period end in those areas at the top of the form.

Column 1 – Partner's name

Enter the partner's name exactly as it appears on the T5013 information slip for that partner.

Column 2 – Partner's identification number

Enter the same identification number that appears in box 12 of the T5013 information slip for that partner. It can be an individual's social insurance number, a corporation's Business Number, a trust account number, or a partnership's filer identification number if the partner is a partnership.

Column 3 – Capital account at start of fiscal period

Enter the amount from column 7 of the partnership's Form T5015 for the previous year.

Do not adjust any current-year forms for errors made in a previous year. If the opening balance is different from the ending balance on the previous year's Form T5015, attach an amended previous-year form and a note explaining the difference.

Columns 4 to 6: Changes to the capital account during the fiscal period

Enter the amounts that report the changes to each partner's capital account during the fiscal period.

Column 4, Capital contributed during the fiscal period – Include only the amounts that the partnership has already received and the amounts that the partnership can legally collect.

Column 5, Income (or loss) allocated during the fiscal period – Include all the incomes and losses allocated for the fiscal period. These are the amounts shown on the partner's T5013 information slip.

Column 6, Drawings – Include as drawings, amounts paid to the partner as salary or wages, the cost of products available for sale that the partner consumed, personal expenses of the partner paid by the partnership, and any other amounts or benefits the partner received or that flowed through to the partner.

Report this information even if the balance at the end of the fiscal period is negative.

Column 7 – Capital account at end of fiscal period

To calculate the partner's ending balance in the capital account, add the amounts in columns 3, 4, and 5 (or subtract the amount in column 5 if it is a negative amount), and subtract column 6.

Totals

Enter each of the column totals for columns 3 to 7. If you use more than one Form T5015, keep a running total from one page to the next.

Chapter 11 – Form T5016, Summary Information for Tax Shelters That Are Partnerships, or for Partnerships That Allocated Renounced Resource Expenses to Their Members

General

If you are preparing an amended Form T5016, read the sections called "How to correct your *Partnership Information Return*" and "Changes to forms T5014, T5015, T5016, and T5017, and to other documents" on page 7.

How to complete Form T5016

Fiscal period end

Enter the same four numeric characters for the year and the two numeric characters for the month of the fiscal period as on the T5013 Summary.

Box 01 – Partnership's filer identification number

Enter the partnership's filer identification number that you entered on the T5013 Summary.

Box 02 – Tax shelter identification number

If the partnership is a tax shelter, enter the tax shelter identification number that you entered on the T5013 Summary.

Box 06 – Tax shelter's principal business activity and code

Enter the same description and code as in box 06 of the T5013 information slips.

Promoter's name and telephone number

Enter the promoter's name and telephone number.

You are a tax shelter promoter if, in the course of a business, either as a principal or an agent, you:

- sell or issue, or promote the sale, issuing, or acquiring of, a tax shelter;

- act as an agent or advisor for such activities; or
- accept consideration for the tax shelter.

Section A – Tax shelter information

Summary of tax shelter's income (or loss)

Gross and net amounts

Enter the total amounts that relate to your tax shelter.

The gross amount is the gross income for **accounting purposes** from the financial statements that you reported on line 290 of the T5013 Summary.

The net amount is the net income (or loss) **adjusted for income tax purposes** that you reported on line 291 of the T5013 Summary.

T5013 slip information

Box 55 – Total cost of units – Enter the total cost of the units you reported in box 55 of the T5013 information slips.

Box 56 – Limited-recourse amounts – Enter the total unpaid principal amount of any indebtedness for which recourse is limited (including deemed limited recourse amounts) that you reported in box 56 of the T5013 information slips.

Box 57 – At-risk adjustment – Enter the total amount that you reported in box 57 of the T5013 information slips. This is the amount or benefit to which the investors, or any person with whom the investors do not deal at arm's length, are entitled to for the purpose of reducing the impact of any loss that the investors may sustain from holding or disposing of the tax shelter.

Box 58 – Other indirect reductions – Enter the total amount of any indirect reductions of the expenditure under subparagraph 143.2(6)(b)(iii) that you reported in box 58 of the T5013 information slips.

Section B – Canadian exploration and development expenses information

T5013 slip information

Summary of renounced resource expenses allocated to the members of the partnership

Identification number – Enter the identification number from the T101 information slip, *Statement of Resource Expenses*, your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's filer identification number from the T5013 information slip your partnership received from that partnership.

Effective date of renunciation – Enter the four numeric characters for the year and the two numeric characters for the month and day, in that order, that correspond to the effective date of renunciation of the resource expenses from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's fiscal period end from the T5013 information slip your partnership received from that partnership.

Box 130 – Canadian exploration expense – Enter, in the appropriate box, the total amount of Canadian exploration expenses from box 120 of the T101 information slips received from each principal-business corporation, and from box 130 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 130 of the T5013 information slips.

Box 131 – Canadian development expense – Enter, in the appropriate box, the total amount of Canadian development expenses from box 121 of the T101 information slips received from each principal-business corporation and from box 131 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 131 of the T5013 information slips.

Summary of adjustments—Reductions to expenses previously renounced

Identification number – Enter the identification number from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's filer identification number from the T5013 information slip your partnership received from that partnership.

Effective date of renunciation – Enter the four numeric characters for the year and the two numeric characters for the month and day, in that order, that correspond to the effective date of renunciation of the resource expenses from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's fiscal period end from the T5013 information slip your partnership received from that partnership.

Box 132 – Canadian exploration expense – Enter, in the appropriate box, the total amount of Canadian exploration expenses from box 122 of the T101 information slips received from each principal-business corporation and from box 132 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 132 of the T5013 information slips.

Box 133 – Canadian development expense – Enter, in the appropriate box, the total amount of Canadian development expenses from box 123 of the T101 information slips received from each principal-business corporation and from box 133 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 133 of the T5013 information slips.

Box 140 – Portion of any reduction subject to an interest-free period – Enter, in the appropriate box, the total portion of the reduction for Canadian exploration expenses that is available for the interest-free period from box 130 of the T101 information slips received from each principal-business corporation and from box 140 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the

total of the amounts that you reported in box 140 of the T5013 information slips.

Summary of assistance allocated or to be allocated

Identification number – Enter the identification number from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's filer identification number from the T5013 information slip your partnership received from that partnership.

Date of entitlement – Enter the four numeric characters for the year and the two numeric characters for the month and day, that correspond to the effective date of renunciation of the resource expenses from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's fiscal period end from the T5013 information slip your partnership received from that partnership.

Box 134 – Canadian exploration expense – Enter, in the appropriate box, the total amount of Canadian exploration expenses from box 124 of the T101 information slips received from each principal-business corporation and from box 134 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 134 of the T5013 information slips.

Box 135 – Canadian development expense – Enter, in the appropriate box, the total amount of Canadian development expenses from box 125 of the T101 information slips received from each principal-business corporation and from box 135 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 135 of the T5013 information slips.

Summary of expenses qualifying for ITC allocated to the members of the partnership

Identification number – Enter the identification number from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's filer identification number from the T5013 information slip your partnership received from that partnership.

Date of entitlement – Enter the four numeric characters for the year and the two numeric characters for the month and day, that correspond to the date of entitlement from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's fiscal period end from the T5013 information slip your partnership received from that partnership.

Box 138 – Canadian exploration expense (mining only) – Enter, in the appropriate box, the total amount of eligible resource expenditures qualifying for ITC from box 128 of the T101 information slips received from each principal-business corporation and from box 138 of the T5013 information slips received from each partnership.

The total of the amounts in the column should equal the total of the amounts that you reported in box 138 of the T5013 information slips.

Box 139 – Portion subject to an interest-free period – Enter, in the appropriate box, the total portion of the reduction for Canadian exploration expenses (mining only) that is available for the interest-free period from box 129 of the T101 information slips received from each principal-business corporation and from box 139 of the T5013 information slips received from each partnership. The total of the amounts in the column should equal the total of the amounts that you reported in box 139 of the T5013 information slips.

Summary of expenses qualifying for provincial tax credits

Identification number – Enter the identification number from the T101 information slip your partnership received from the principal-business corporation. If the expenses flowed through another partnership, enter that partnership's filer identification number from the T5013 information slip your partnership received from that partnership.

Province – Enter, in the boxes in the appropriate provincial column, the total amount of Canadian exploration expenses (mining only) that qualify for tax credits from boxes 141 to 145 of the T101 information slips received from each principal-business corporation and of the T5013 information slips received from each partnership. The total of the amounts in each column should equal the total of the amounts that you reported in boxes 141 to 145 respectively of the T5013 information slips.

Calculating the penalty under subsections 66(12.74) and 66(12.75) for filing this summary and the related T5013 information slips late

General – The penalty is \$100 to a maximum of \$15,000.

B – Total of boxes 130, 131, 134, and 135 – Enter, in the space provided, the total of the amounts you entered on these total lines. Multiply this amount by $\frac{1}{4}$ of 1% (i.e., 0.25%). Enter the result in box B.

110 – Penalty – Enter the amount of the penalty in box 110. The penalty is the middle value of the amounts in boxes A, B, and C. If two of these amounts are the same, the penalty is that amount.

Payment – You have to enclose your payment for any penalty with the *Partnership Information Return*. Make your cheque payable to the Receiver General for Canada.

Chapter 12 – Form T5017, Calculation of Deduction for Cumulative Eligible Capital of a Partnership

General

If you are preparing an amended Form T5017, read the sections called “How to correct your *Partnership Information Return*” and “Changes to forms T5014, T5015, T5016, and T5017, and to other documents” on page 7.

Eligible capital property

A partnership may incur certain expenditures, or buy a capital property that does not physically exist (intangible). These expenditures or properties provide lasting economic benefit over an indefinite period. Such property is neither a current expense nor a depreciable property, and the partnership cannot deduct the full cost of such a property. However, if the property qualifies as an **eligible capital property**, the partnership can deduct a part of the cost in a method similar to capital cost allowance. Under subsection 14(1), the tax treatment of these expenditures operates on a pooling basis, and the annual deduction under paragraph 20(1)(b), calculated as a percentage of the pool, is referred to as the cumulative eligible capital amount (CECA deduction).

Eligible capital property includes:

- goodwill;
- customer lists;
- farm quotas;
- purchased trademarks that have enduring value;
- expense of reorganizing or amalgamating;
- certain legal and accounting fees; and
- patents, franchises, concessions, or licences for an unlimited period.

Cumulative eligible capital amount (CECA deduction)

You cannot deduct the cost of an eligible capital property in the year the partnership made the expenditures. Instead, since these properties provide lasting economic benefit over an indefinite period, you can deduct their cost from income over several years. This deduction is calculated on a declining balance basis at a rate of 7% of the cumulative eligible capital balance of the pool at the end of the year. You do not have to deduct the maximum annual allowance in any given year. You can deduct any amount, up to the maximum allowed for the year.

Replacement property

If your partnership sells an eligible capital property and replaces it with another one for the same or similar use, your partnership can elect to postpone all or part of any gain on the sale. To qualify, your partnership has to replace

the property no later than one year after the end of the taxation year in which your partnership sells the original property. For more information, see Interpretation Bulletin IT-259, *Exchanges of Property*.

Election for eligible capital property (ECP) disposed of in the year

Subsection 14(1.01) permits the partnership to elect to remove an ECP that it disposed of in the year from the cumulative eligible capital (CEC) pool, and recognize a capital gain on that ECP in the year as if the property were ordinary non-depreciable capital property.

The election is only available if the partnership meets the following conditions:

- the partnership disposed of an ECP;
- the partnership's eligible capital expenditure to acquire the ECP can be determined;
- the proceeds of disposition exceed the cost; and
- the ECP that the partnership disposed of is **not** goodwill.

Note

Another condition is that the exempt gains balance has to be nil. This condition will always be met because the partnership cannot have an exempt gains balance.

If the partnership makes the election, the proceeds of disposition are considered to be equal to the original cost of the property.

The partnership can then allocate to the partners a capital gain equal to the actual proceeds of disposition **minus** the cost of acquisition. Report each partner's share of the gain in box 23 of the T5013 information slip.

If the partnership makes this election, the partners that have capital losses can apply those losses against this gain.

If the partnership disposed of an ECP that is a qualified farm property, the election may also help partners that are eligible to claim a capital gains deduction. If the partnership disposed of an ECP that was a qualified farm property, any deemed gain reported under the election is also deemed to be a disposition of qualified farm property.

If your partnership is electing under section 14(1.01), complete the area called "14(1.01) election for eligible capital property (other than goodwill) disposed of in the year" at the bottom of page 1 of Form T5017, *Calculation of Deduction for Cumulative Eligible Capital of Partnership*.

Amounts resulting from disposition to be included in income

Cumulative eligible capital balance – Negative amount

If your partnership disposes of an eligible capital property in the year, and the partnership's cumulative eligible capital balance at the end of its fiscal period is a **negative** amount, under subsection 14(1) you have to include the amount in the partnership's income.

14(1)(a) income recapture inclusion – If the partnership's cumulative eligible capital balance at the end of its fiscal period is a **negative** amount, you have to include in the

partnership's business income for the year the portion that is a recapture of CECA deductions your partnership previously claimed. To calculate this amount, follow the instructions in the calculation for the "14(1)(a) income recapture inclusion" in Section B of Form T5017.

14(1)(b) residual income inclusion – If the amount of 14(1)(a) income recapture inclusion (amount on line 11) is less than the cumulative capital negative balance (amount on line 1), your partnership may have a 14(1)(b) residual income inclusion. If so, you have to include 2/3 of the residual amount in your partnership's business income. To calculate this amount, follow the instructions in the area called "14(1)(b) residual income inclusion" in Section B of Form T5017. If any part of the negative amount represents a residual income inclusion, you may have to give more information in the "Details" area for box 18 of the T5013 information slip.

Amount resulting from disposing of eligible capital property that is qualified farm property eligible for the capital gains deduction

If your family-farm partnership disposes of a qualified farm property in the year, part of the partnership's farming income from the sale of the eligible capital property that is qualified farm property may be eligible for the capital gains deduction.

For more information about real property and eligible capital property that is considered to be qualified farm property, see our income tax guides:

T4003 *Farming Income*

RC4060 *Farming Income and the CAIS Program*

For more information, see section 14 of the *Income Tax Act*, and our income tax guides:

T4002 *Business and Professional Income*

T4037 *Capital Gains*

Also see the following interpretation bulletins:

IT-123 *Transactions Involving Eligible Capital Property*

IT-143 *Meaning of Eligible Capital Expenditure*

IT-477 *Capital Cost Allowance – Patents, Franchises, Concessions and Licences*

How to complete Form T5017

Identification

Enter the partnership's name, filer identification number, and fiscal period end in those areas at the top of the form.

Section A – Calculating the current-year deduction and carryforward

Line 1 – Cumulative eligible capital (CEC) – Balance at start of fiscal period

Enter the amount from line 9 in Section A of the partnership's Form T5017 for the previous fiscal period end.

Do not adjust any current-year forms for errors made in a previous year. If the opening balance is different from the ending balance on the previous year's Form T5017, attach an amended Form T5017 for the previous year with a note explaining the difference.

Lines 2 to 7

Enter the amounts that apply to the partnership on the appropriate lines, and calculate as instructed.

If the amount on line 7 is negative, you have an excess under subsection 14(1) and cannot claim a current-year deduction. If this is the case, go to Section B to calculate the amount that you have to include in the partnership's income for the year.

Line 8 – Current-year cumulative eligible capital amount (CECA) deduction

You can deduct eligible capital expenditures at a rate of 7% of the CEC balance (line 7 in Section A) at the end of the year. You do not have to deduct the maximum annual allowance in any given year. You can deduct any amount, up to the maximum allowed for the year.

For taxation years that start after December 21, 2000, if your partnership has a short fiscal period, you have to prorate its claim for the current-year CECA deduction.

Line 9 – CEC balance at end of fiscal period

This is the partnership's CEC balance available for carryforward.

14(1.01) election for eligible capital property (other than goodwill) disposed of in the year

Complete this election if your partnership is electing under section 14(1.01) to remove an eligible capital property from the CEC pool and to recognize a capital gain in the year as if the property were an ordinary non-depreciable capital property.

Section B – Calculating the amounts resulting from disposition to be included in income

Complete Section B if the amount on line 7 in Section A is negative.

Enter the amounts that apply to the partnership on the appropriate lines, and calculate as instructed.

14(1)(a) income recapture inclusion

Include the income recapture amount from line 1 or line 11 in Section B, whichever is less, in the partnership's income for the year.

14(1)(b) residual income inclusion

Include the residual income amount from line 17 in Section B in the partnership's income for the year.

Report the partner's share of the amount from line 17 in Section B as "Business income from the disposition of eligible capital property (other than the recapture of annual allowances deducted in previous years)" in the "Details" area of the partner's T5013 information slip.

Section C – Calculating the farming income eligible for the capital gains deduction

Complete Section C if there was a disposition of eligible capital property that is qualified farm property.

Enter the amounts that apply to the partnership on the appropriate lines, and calculate as instructed.

Report the partner's share of the amount from line 12 in Section C as "Farming income eligible for the capital gains deduction" in the "Details" area of the partner's T5013 information slip.

Chapter 13 – Transactions with non-residents of Canada

Returns required

In addition to completing the *Partnership Information Return*, if your partnership has transactions with non-residents, it may also have to complete the following information returns:

- NR4 *Return of Amounts Paid or Credited to Non-Residents of Canada*
- T106 *Information Return of Non-Arm's Length Transactions With Non-Residents*
- T1134-A *Information Return Relating to Foreign Affiliates That Are Not Controlled Foreign Affiliates*
- T1134-B *Information Return Relating to Controlled Foreign Affiliates*
- T1141 *Information Return in Respect of Transfers or Loans to a Non-Resident Trust*
- T1142 *Information Return in Respect of Distributions From and Indebtedness to a Non-Resident Trust*

Payments to non-residents of Canada

In addition to completing T5013 information slips, the partnership may also have to complete NR4 slips, *Statement of Amounts Paid or Credited to Non-Residents of Canada*, and the NR4 Summary, *Return of Amounts Paid or Credited to Non-Residents of Canada*.

If a non-resident provides services in Canada to a partnership, the partnership has to complete Form T4A-NR, *Statement of Fees, Commissions, or Other Amounts Paid to Non-Residents of Canada for Services Rendered in Canada*.

If, after reading this guide, you need more information about withholding requirements, making payments, and filing the NR4 information return or the T4A-NR information return, see our income tax guide T4061, *Non-Resident Withholding Tax Guide*.

Withholding requirements

A partnership that pays or credits, or which we consider to have paid or credited, certain amounts to non-residents has

to withhold tax on the income under Part XIII of the *Income Tax Act*. These amounts include:

- management fee;
- interest;
- estate or trust income;
- rents, royalties, etc.;
- timber royalties;
- patronage dividend; and
- taxable net income stabilization account (NISA No. 2) farm income support payments.

Generally, the amount of tax you have to withhold is 25%. The percentage may be different under a tax convention or agreement between Canada and a foreign country.

The partnership does not have to withhold non-resident income tax from anyone whose status as a resident of Canada has been confirmed. If requested, we will authorize the Canadian payer in writing not to withhold non-resident tax from the payments.

You have to remit your non-resident tax deductions so that we receive them no later than the 15th day of the month after the month in which you withheld the tax. We consider the payment to be received on the date the payment is received by us or at your Canadian financial institution.

To make your payment directly to us, use the remittance voucher from Form NR76, *Non-Resident Tax – Statement of Account*, and send it along with your cheque or money order payable to the Receiver General for Canada to:

Canada Customs and Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1
CANADA

If you prefer to make your payment at your financial institution in Canada, take the completed remittance voucher and the payment to a teller.

Penalties for failing to withhold non-resident tax

A partnership that pays or credits, or which we consider to have paid or credited, certain amounts to or for a non-resident of Canada, but does not withhold non-resident tax, is liable for the amount of tax that the partnership should have withheld, plus a penalty of 10% of the tax. If we have already penalized the partnership, a penalty of 20% of the tax may apply for any more failures in the same calendar year.

We charge interest, compounded daily at a prescribed rate, on the total amount of tax, penalties, and interest levied.

Both penalties and interest are payable to the Receiver General for Canada.

Non-arm's length transactions with non-residents

You have to complete and file Form T106, *Information Return of Non-Arm's Length Transactions With Non-Residents*,

if, at any time in your partnership's fiscal period, your partnership:

- carried on a business in Canada, or included a member who was resident in Canada;
- entered into transactions, or included a member who entered into transactions with one or more non-resident persons or partnerships with whom it was not dealing at arm's length; and
- had total reportable transactions in the fiscal period of more than \$1,000,000 for all the non-residents.

The T106 information return includes a T106 Summary and the related T106 information slips. You have to report all non-arm's length transactions between the partnership and the non-resident, including transactions concerning:

- tangible property;
- rents;
- royalties and intangible property;
- services; and
- advances, loans, or other accounts receivable or payable to or from a non-resident (beginning and ending balances including gross increases and decreases).

You have to file the T106 information return no later than the date when your *Partnership Information Return* is due. If you file the T106 information return late, the partnership is liable for penalties.

Foreign affiliates

If your partnership is described in subparagraph 233.4(1)(c)(i), and has a foreign affiliate as described in subparagraph 233.4(1)(c)(ii), your partnership will have to complete and file information returns for foreign affiliates no later than 15 months after the end of your partnership's taxation year. The information returns are Form T1134-A, *Information Return Relating to Foreign Affiliates That Are Not Controlled Foreign Affiliates*, and Form T1134-B, *Information Return Relating to Controlled Foreign Affiliates*.

Transfers or loans to a non-resident trust

If, in any year, your partnership made a transfer or loan to a specified foreign trust, the property is considered to have been transferred or lent by the members of the partnership. As a result, each member of your partnership has to complete and file Form T1141, *Information Return in Respect of Transfers or Loans to a Non-Resident Trust*. However, the members can elect to file jointly.

For trust taxation years that end in your partnership's taxation year, the members of the partnership (or the member designated in a joint election) have to file Form T1141 no later than the day on which you have to file your *Partnership Information Return*.

Distributions from and indebtedness to a non-resident trust

If your partnership is a beneficiary of a non-resident trust (other than an excluded trust or an estate that arose on death), and it received a distribution from or was indebted

to the non-resident trust in the year, your partnership will have to complete and file Form T1142, *Information Return in Respect of Distributions From and Indebtedness to a Non-Resident Trust*.

Your partnership has to file Form T1142 no later than the day on which you have to file your *Partnership Information Return*.

Penalties for failing to file an information return

If you do not file the information returns for foreign affiliates, non-arm's length transactions with non-residents, distributions from and indebtedness to a non-resident trust, or transfers or loans to a non-resident trust when required, the partnership is subject to a penalty. The penalty is \$500 a month, to a maximum of \$12,000 for each failure. If we have served a demand for the partnership to file the return, the penalty is \$1,000 a month, to a maximum of \$24,000 for each failure. The partnership has to pay this penalty.

We can assess the partnership an additional penalty if, after 24 months, the partnership still has not filed the information return.

We charge interest, compounded daily at a prescribed rate, on the total amount of penalties levied. Both interest and penalties are payable to the Receiver General for Canada.

Disposing of taxable Canadian property by non-residents

When non-residents dispose of taxable Canadian property, they have to advise us of the proposed or actual disposition. They can use Form T2062, *Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of a Taxable Canadian Property*.

On a proposed disposition, the seller may either prepay or provide security for the tax that may be payable. The tax is 25% of the estimated proceeds of disposition minus the adjusted cost base of the property. When we receive the notice and the tax or security we will issue a "clearance certificate" for the non-resident and the proposed purchaser fixing the amount of the estimated proceeds of disposition (subsection 116(2)).

If the non-resident did not advise us of the proposed disposition, or if the information about the proposed disposition changed the seller has 10 days after the disposition to advise us (subsection 116(3)). When we receive the notice of actual disposition and the tax or security we will issue a "clearance certificate" for the non-resident and the purchaser (subsection 116(4)).

If the seller does not prepay or provide security for the tax payable the buyer may have to pay any tax owing by the seller (subsection 116(5)). This tax is 25% of the cost, or if we issued a certificate for a proposed disposition under subsection 116(2) the tax is 25% of the cost minus the

proceeds of disposition (certificate limit) fixed by that certificate. The buyer has to send this amount to us no later than 30 days after the end of the month in which the property was acquired. The buyer is entitled to recover the tax paid on behalf of the seller and can withhold amounts from any later payments to the seller.

The buyer is not liable for the seller's tax if we issued a certificate under subsection 116(4) to the non-resident seller and the buyer for the actual disposition.

In addition to Form T2062, you may have to file one or more of the following:

- **for dispositions of Canadian resource property**, use Form T2062A, *Request by a Non-Resident of Canada for a Certificate of Compliance Related to the Disposition of Canadian Resource or Timber Resource Property, Canadian Real Property (Other Than Capital Property), or Depreciable Taxable Canadian Property*, and the related T2062A Schedule 1, *Disposition of Canadian Resource Property by Non-Residents*;
- **for dispositions of Canadian real property (other than capital property), Canadian timber resource property, and depreciable taxable Canadian property**, use Form T2062A; and
- **for dispositions of a life insurance property in Canada**, use Form T2062B, *Notice of Disposition of a Life Insurance Policy in Canada by a Non-Resident of Canada*, and the related T2062B Schedule 1, *Certification and Remittance Notice*.

Information Circular 72-17, *Procedures Concerning the Disposition of Taxable Canadian Property by Non-Residents of Canada – Section 116*, has detailed information on this issue.

For a disposition by a partnership with non-resident partners, we will accept one Form T2062 filed for all non-resident partners. With the notice, we need a list of all the non-resident partners with each non-resident partner's complete Canadian and foreign address, and Canadian social insurance number, corporation Business Number, trust account number, partnership filer identification number, or non-resident account number. You also have to state the percentage of the taxable Canadian property that each non-resident partner owns and allocate the prepayment or security among the partners.

We will then issue one certificate of compliance, Form T2064(C), *Certificate with Respect to the Proposed Disposition of Property by a Non-Resident of Canada*, or Form T2068(C), *Certificate with Respect to the Disposition of Property by a Non-Resident of Canada*, and attach a list of the above information.

The partnership is responsible for giving the relevant information to each non-resident partner. Each partner's actual tax liability will be calculated when we assess each partner's return for the year.

For more information on non-residents, see the following information circulars and interpretation bulletins:

- IC 76-12 *Applicable Rate of Part XIII Tax on Amounts Paid or Credited to Persons in Countries With Which Canada Has a Tax Convention*
- IC 77-16 *Non-Resident Income Tax*
- IT-81 *Partnerships – Income of Non-Resident Partners*

- IT-155 *Exemption From Non-Resident Tax on Interest Payable on Certain Bonds, Debentures, Notes, Hypothecs, or Similar Obligations, and its Special Release*
- IT-221 *Determination of an Individual’s Residence Status*
- IT-360 *Interest Payable in a Foreign Currency*
- IT-361 *Exemption From Part XIII Tax on Interest Payments to Non-Residents*

Appendix A – Province, territory, and jurisdiction codes

When we ask for a two-letter code for a province, territory, or state, use the following codes:

For Canada

AB - Alberta	NL - Newfoundland and Labrador	NU - Nunavut	QC - Quebec
BC - British Columbia	NS - Nova Scotia	ON - Ontario	SK - Saskatchewan
MB - Manitoba	NT - Northwest Territories	PE - Prince Edward Island	YT - Yukon
NB - New Brunswick			

For the United States

AK - Alaska	ID - Idaho	MT - Montana	RI - Rhode Island
AL - Alabama	IL - Illinois	NC - North Carolina	SC - South Carolina
AR - Arkansas	IN - Indiana	ND - North Dakota	SD - South Dakota
AZ - Arizona	KS - Kansas	NE - Nebraska	TN - Tennessee
CA - California	KY - Kentucky	NH - New Hampshire	TX - Texas
CO - Colorado	LA - Louisiana	NJ - New Jersey	UT - Utah
CT - Connecticut	MA - Massachusetts	NM - New Mexico	VA - Virginia
DC - District of Columbia	MD - Maryland	NV - Nevada	VT - Vermont
DE - Delaware	ME - Maine	NY - New York	WA - Washington
FL - Florida	MI - Michigan	OH - Ohio	WI - Wisconsin
GA - Georgia	MN - Minnesota	OK - Oklahoma	WV - West Virginia
HI - Hawaii	MO - Missouri	OR - Oregon	WY - Wyoming
IA - Iowa	MS - Mississippi	PA - Pennsylvania	

Appendix B – Country codes

When we ask for a three-letter code for a country, use the following codes:

Country	Code	Country	Code	Country	Code
Afghanistan.....	AFG	Côte d'Ivoire (Ivory Coast).....	CIV	Iraq.....	IRQ
Albania.....	ALB	Croatia.....	HRV	Ireland.....	IRL
Algeria.....	DZA	Cuba.....	CUB	Isle of Man.....	IMY
American Samoa.....	ASM	Cyprus.....	CYP	Israel.....	ISR
Andorra.....	AND	Czech Republic.....	CZE	Italy.....	ITA
Angola.....	AGO	Denmark	DNK	Ivory Coast.....	CIV
Anguilla.....	AIA	Djibouti.....	DJI	Jamaica	JAM
Antarctica.....	ATA	Dominica.....	DMA	Japan.....	JPN
Antigua and Barbuda.....	ATG	Dominican Republic.....	DOM	Jersey.....	JRS
Argentina.....	ARG	East Timor	TMP	Jordan.....	JOR
Armenia.....	ARM	Ecuador.....	ECU	Kazakhstan	KAZ
Aruba.....	ABW	Egypt.....	EGY	Kenya.....	KEN
Australia.....	AUS	El Salvador.....	SLV	Kiribati.....	KIR
Austria.....	AUT	Equatorial Guinea.....	GNQ	Korea, Democratic People's Republic of (North).....	PRK
Azerbaijan.....	AZE	Eritrea.....	ERI	Korea, Republic of (South).....	KOR
Azores.....	AZO	Estonia.....	EST	Kuwait.....	KWT
Bahamas	BHS	Ethiopia.....	ETH	Kyrgyzstan.....	KGZ
Bahrain.....	BHR	Falkland Islands (Malvinas)	FLK	Laos	LAO
Bangladesh.....	BGD	Faroe Islands.....	FRO	Latvia.....	LVA
Barbados.....	BRB	Fiji.....	FJI	Lebanon.....	LBN
Belarus.....	BLR	Finland.....	FIN	Lesotho.....	LSO
Belgium.....	BEL	France.....	FRA	Liberia.....	LBR
Belize.....	BLZ	French Guiana.....	GUF	Libyan Arab Jamahiriya.....	LBY
Benin.....	BEN	French Polynesia.....	PYF	Liechtenstein.....	LIE
Bermuda.....	BMU	French Southern Territories (incl. Amsterdam Island, Crozet Islands, the Kerguelen Islands, and Saint Paul Island).....	ATF	Lithuania.....	LTU
Bhutan.....	BTN	Gabon	GAB	Luxembourg.....	LUX
Bolivia.....	BOL	Gambia.....	GMB	Macau	MAC
Bosnia and Herzegovina.....	BIH	Georgia.....	GEO	Macedonia.....	MKD
Botswana.....	BWA	Germany.....	DEU	Madagascar.....	MDG
Bouvet Island.....	BVT	Ghana.....	GHA	Madeira Islands.....	MDR
Brazil.....	BRA	Gibraltar.....	GIB	Malawi.....	MWI
British Indian Ocean Territory.....	IOT	Greece.....	GRC	Malaysia.....	MYS
British Virgin Islands.....	VGB	Greenland.....	GRL	Maldives.....	MDV
Brunei Darussalam.....	BRN	Grenada.....	GRD	Mali.....	MLI
Bulgaria.....	BGR	Guadeloupe.....	GLP	Malta.....	MLT
Burkina Faso (Upper Volta).....	BFA	Guam.....	GUM	Marshall Islands.....	MHL
Burundi.....	BDI	Guatemala.....	GTM	Martinique.....	MTQ
Cambodia (Kampuchea)	KHM	Guernsey.....	GNS	Mauritania.....	MRT
Cameroon.....	CMR	Guinea.....	GIN	Mauritius.....	MUS
Canada.....	CAN	Guinea-Bissau.....	GNB	Mayotte.....	MYT
Canary Islands.....	CNP	Guyana.....	GUY	Mexico.....	MEX
Cape Verde.....	CPV	Haiti	HTI	Micronesia.....	FSM
Cayman Islands.....	CYM	Heard Island and McDonald Islands.....	HMD	Moldova.....	MDA
Central African Republic.....	CAF	Holy See (Vatican City State).....	VAT	Monaco.....	MCO
Chad.....	TCO	Honduras.....	HND	Mongolia.....	MNG
Chile.....	CHL	Hong Kong.....	HKG	Montserrat.....	MSR
China, People's Republic of (Mainland).....	CHN	Hungary.....	HUN	Morocco.....	MAR
Christmas Island (Australia).....	CXR	Iceland	ISL	Mozambique.....	MOZ
Cocos (Keeling) Islands.....	CCK	India.....	IND	Myanmar (Burma).....	MMR
Columbia.....	COL	Indonesia.....	IDN	Namibia	NAM
Comoros.....	COM	Iran.....	IRN	Nauru.....	NRU
Congo, Democratic Republic of (formerly Zaire).....	COD			Nepal.....	NPL
Congo, Republic of.....	COG			Netherlands.....	NLD
Cook Islands.....	COK				
Costa Rica.....	CRI				

Country	Code	Country	Code	Country	Code
Netherlands Antilles (Bonaire, Curacao, and St. Maarten)	ANT	Saint Vincent and the Grenadines	VCT	Togo	TGO
New Caledonia	NCL	St. Helena Island	SHN	Tokelau	TKL
New Zealand	NZL	St. Pierre and Miquelon	SPM	Tonga	TON
Nicaragua	NIC	Samoa	WSM	Trinidad and Tobago	TTO
Niger	NER	San Marino	SMR	Tunisia	TUN
Nigeria	NGA	Sao Tome and Principe	STP	Turkey	TUR
Niue	NIU	Saudi Arabia	SAU	Turkmenistan	TKM
Norfolk Islands	NFK	Senegal	SEN	Turks and Caicos Islands	TCA
Northern Ireland	GBR	Serbia and Montenegro (formerly Yugoslavia)	YUG	Tuvalu	TUV
Northern Mariana Islands	MNP	Seychelles	SYC	U ganda	UGA
Norway	NOR	Sierra Leone	SLE	Ukraine	UKR
Occupied Palestinian Territory	PSE	Singapore	SGP	United Arab Emirates	ARE
Oman	OMN	Slovakia (Slovak Republic)	SVK	United Kingdom (including Northern Ireland)	GBR
Pakistan	PAK	Slovenia	SVN	United States of America	USA
Palau	PLW	Solomon Islands	SLB	United States Minor Outlying Islands	UMI
Panama	PAN	Somalia	SOM	Uruguay	URY
Papua New Guinea	PNG	South Africa	ZAF	Uzbekistan	UZB
Paraguay	PRY	South Georgia and the South Sandwich Islands	SGS	V anuatu (New Hebrides)	VUT
Peru	PER	Spain	ESP	Vatican City State (Holy See)	VAT
Philippines	PHL	Sri Lanka	LKA	Venezuela	VEN
Pitcairn	PCN	Sudan	SDN	Vietnam, Socialist Republic of	VNM
Poland	POL	Surinam	SUR	Virgin Islands (British)	VGB
Portugal	PRT	Svalbard and Jan Mayen	SJM	Virgin Islands (U.S.)	VIR
Puerto Rico	PRI	Swaziland	SWZ	W allis and Futuna Islands	WLF
Qatar	QAT	Sweden	SWE	Western Sahara	ESH
Reunion	REU	Switzerland	CHE	Y emen	YEM
Romania	ROM	Syrian Arab Republic	SYR	Yugoslavia, Federal Republic of	YUG
Russia (Russian Federation)	RUS	Taiwan	TWN	Z ambia	ZMB
Rwanda	RWA	Tajikistan	TJK	Zimbabwe	ZWE
Saint Kitts and Nevis	KNA	Tanzania	TZA	A ll other countries	OMC
Saint Lucia	LCA	Thailand	THA		

Appendix C – Reference publications

You can get the following publications on our Web site at www.ccca.gc.ca or by calling 1-800-959-2221. The publications will help you prepare the *Partnership Information Return*.

Information circulars

- IC 71-14 *The Tax Audit*
- IC 72-17 *Procedures Concerning the Disposition of Taxable Canadian Property by Non-Residents of Canada – Section 116*
- IC 73-13 *Investment Clubs, and its Special Release*
- IC 76-12 *Applicable Rate of Part XIII Tax on Amounts Paid or Credited to Persons in Countries with which Canada has a Tax Convention*
- IC 77-16 *Non-Resident Income Tax*
- IC 78-4 *Investment Tax Credit Rates, and its Special Release*
- IC 78-10 *Books and Records Retention/Destruction*
- IC 82-2 *Social Insurance Number Legislation That Relates to the Preparation of Information Slips*
- IC 86-4 *Scientific Research and Experimental Development*
- IC 89-4 *Tax Shelter Reporting*
- IC 89-5 *Partnership Information Return, and its Special Release*
- IC 92-2 *Guidelines for the Cancellation and Waiver of Interest and Penalties*
- IC 97-2 *Customized Forms*

Interpretation bulletins

- IT-79 *Capital Cost Allowance – Buildings or Other Structures*
- IT-81 *Partnerships – Income of Non-Resident Partners*
- IT-90 *What Is a Partnership?*
- IT-95 *Foreign Exchange Gains and Losses*
- IT-123 *Transactions Involving Eligible Capital Property*
- IT-143 *Meaning of Eligible Capital Expenditure*
- IT-147 *Capital Cost Allowance – Accelerated Write-Off of Manufacturing and Processing Machinery and Equipment*
- IT-151 *Scientific Research and Experimental Development Expenditures*
- IT-155 *Exemption From Non-Resident Tax on Interest Payable on Certain Bonds, Debentures, Notes, Hypothecs, or Similar Obligations, and its Special Release*
- IT-179 *Change of Fiscal Period*
- IT-195 *Rental Property – Capital Cost Allowance Restrictions*
- IT-221 *Determination of an Individual's Residence Status*
- IT-232 *Losses – Their Deductibility in the Loss Year or in Other Years*

- IT-242 *Retired Partners*
- IT-244 *Gifts by Individuals of Life Insurance Policies as Charitable Donations*
- IT-259 *Exchanges of Property*
- IT-270 *Foreign Tax Credit*
- IT-273 *Government Assistance – General Comments*
- IT-274 *Rental Properties – Capital Cost of \$50,000 or More*
- IT-278 *Death of a Partner or of a Retired Partner*
- IT-283 *Capital Cost Allowance – Video Tapes, Videotape Cassettes, Films, Computer Software and Master Recording Media*
- IT-285 *Capital Cost Allowance – General Comments*
- IT-288 *Gifts of Capital Properties to a Charity and Others*
- IT-297 *Gifts in Kind to Charity and Others*
- IT-336 *Capital Cost Allowance – Pollution Control Property*
- IT-338 *Partnership Interests – Effects on Adjusted Cost Base Resulting From the Admission or Retirement of a Partner*
- IT-353 *Partnership Interest – Some Adjustments to Cost Base*
- IT-360 *Interest Payable in a Foreign Currency*
- IT-361 *Exemption From Part XIII Tax on Interest Payments to Non-Residents*
- IT-364 *Commencement of Business Operations*
- IT-371 *Rental Property – Meaning of Principal Business*
- IT-397 *Amounts Excluded From Income – Statutory Exemptions and Certain Service or RCMP Pensions, Allowances and Compensation, and its Special Release*
- IT-400 *Exploration and Development Expenses – Meaning of Principal-Business Corporation, and its Special Release*
- IT-407 *Dispositions of Cultural Property to Designated Canadian Institutions*
- IT-413 *Election by Members of a Partnership Under Subsection 97(2)*
- IT-419 *Meaning of Arm's Length*
- IT-430 *Life Insurance Proceeds Received by a Private Corporation or a Partnership as a Consequence of Death*
- IT-434 *Rental of Real Property by Individual, and its Special Release*
- IT-477 *Capital Cost Allowance – Patents, Franchises, Concessions and Licences*

IT-478 *Capital Cost Allowance – Recapture and Terminal Loss*
IT-484 *Business Investment Losses*
IT-491 *Former Business Property, and its Special Release*

Other publications

T4002 *Business and Professional Income*
T4003 *Farming Income*
RC4060 *Farming Income and the CAIS Program*
T4004 *Fishing Income*
RC4015 *Reconciliation of Business Income for Tax Purposes*
T4012 *T2 Corporation – Income Tax Guide*

T4036 *Rental Income*
T4037 *Capital Gains*
T4061 *Non-Resident Withholding Tax Guide*
T4088 *Claiming Scientific Research and Experimental Development Expenditures – Guide to Form T661*
RC4088 *Guide to the General Index of Financial Information (GIFI) for Corporations*
RC4089 *General Index of Financial Information – GIFI – Short Form*
T7B-CORP *Corporation Instalment Guide*
P110 *Paying Your Income Tax by Instalments*
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Contacting us

Once you file a *Partnership Information Return*, the information on it becomes confidential. For this reason, we follow certain procedures before giving out information about the partnership. We can give information only to an authorized representative. The authorized representative could be an accountant, lawyer, or tax preparer acting for the members of the partnership.

Getting information in person

If you visit us, we will ask for:

- personal identification, which may be one piece of signed identification with your picture or two pieces of signed identification; and
- partnership identification, which may be a copy of the *Partnership Information Return*, a copy of the *Notice of Assessment* (if we issued one), or other information about the contents of the *Partnership Information Return*.

If your representative visits us, we will ask for the same identification. We will also ask for evidence that you have authorized this person.

Some of the partnership's tax information is readily available and we can give it to you as soon as we confirm that you are authorized to receive it. However, making an appointment will ensure that the information you need will be available when you visit.

Getting information by telephone

If you call us, we will ask for:

- your name, address, and position or title; and
- partnership information that we can verify from the partnership documents we have on file. This will allow us to give you the information you need.

If a representative calls us, we will ask for evidence that this person is authorized by the partnership. The evidence may include any partnership-related information.

If the information you need is not readily available, we may have to call you back. At that time, we will ask you for information we can verify before giving you the information you need.

Giving or cancelling an authorization

You can authorize a representative, or cancel an authorization already given, by writing to us or by sending us a completed Form RC59, *Business Consent Form*. You can get this form from our Web site or by calling 1-800-959-2221.

The authorization or cancellation of an authorization should include:

- the name, complete address, and filer identification number or Business Number of the partnership;
- your representative's name and telephone number – only the business name of a firm or partnership has to appear, unless authorization is to be restricted to a certain member;
- the taxation year or years to which the authorization, or cancellation of the authorization applies; and
- your signature and title as the authorized signing person, your telephone number, and the date.

You have to complete a separate authorization or consent form for each representative appointed or cancelled for a taxation year or years.

Sending information by fax

Please use our fax service for correspondence only. Because this service relies on the telephone network, we are not responsible for misdirected, incomplete, or unclear documents.

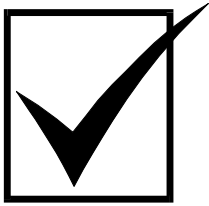
Problem Resolution Program

We are always looking at ways to make it easier for you to file your information return and to resolve any problems you may have.

If you have questions, concerns, or a problem, you can write or visit us, or call Business Enquiries at 1-800-959-5525.

If your problem still cannot be resolved through the above usual channels, you should get in touch with the Problem Resolution Program co-ordinator at your tax services office. The address and telephone number for this office are listed in the government pages of your telephone book.

Your opinion counts!



We review our income tax guides and pamphlets each year. If you have any comments or suggestions to help us improve them, we would like to hear from you!

Please send your comments to:

**Client Services Directorate
Canada Customs and Revenue Agency
Lancaster Road
Ottawa ON K1A 0L5**