



**FEDERAL FOREIGN INCOME TAX CREDITS AND
FEDERAL LOGGING TAX CREDIT (2005 and later taxation years)**

Name of corporation	Business Number	Taxation year-end Year Month Day
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- Corporations resident in Canada at any time in the year and authorized foreign banks can use this schedule to claim:
 - a federal foreign non-business income tax credit; or
 - a federal foreign business income tax credit.
- Corporations can use this schedule to claim a federal logging tax credit.
- Calculate the foreign income tax credits for each country separately. Attach another schedule if the corporation is claiming credits for more than five countries.
- References to parts, sections, subsections, and paragraphs are from the federal *Income Tax Act*.
- For more information on how to apply unused foreign income tax credits, see the *T2 Corporation Income Tax Guide*.

Part 1 – Calculation of federal foreign non-business income tax credit

	A Country of source of foreign non-business income 100	B Net foreign non-business income earned in the year * 110	C Foreign non-business income tax paid for the year ** 120	D Foreign non-business income tax paid, deducted from income under subsection 20(12) 130	E (C – D)	F Adjusted net income (line 600 in Part 6 on page 3)
1.						
2.						
3.						
4.						
5.						

	G Part I tax otherwise payable (line 610 in Part 7 on page 3)	H (B × G) ÷ F (amount in column H cannot be more than amount in column G)	I Allowable credit: lesser of amounts E and H 180	
1.				<p>* Exclude income that is exempt from tax in Canada under an income tax treaty, dividends received from foreign affiliates, and tax-exempt income as defined in subsection 126(7). Net foreign non-business income is the excess of qualifying income over qualifying losses, which are determined according to subsection 126(9).</p> <p>** Exclude taxes paid to a foreign government on income that is exempt from tax in Canada under an income tax treaty; foreign taxes paid on dividends received from foreign affiliates; and any foreign taxes that may reasonably be regarded as relating to an amount that any other person or partnership has received, or is entitled to receive, from that government.</p> <p>Exclude taxes paid for property (other than capital property) from which the corporation is not expected to realize a profit.</p> <p>Exclude taxes paid that are in excess of the limit and paid for dividends and interest on a share or debt obligation held for one year or less.</p> <p>Exclude taxes attributable to amounts received or receivable for of eligible loans.</p>
2.				
3.				
4.				
5.				

Total allowable federal foreign non-business income tax credit.

Enter the total allowable federal foreign non-business tax credit, or a lesser amount, on line 632 of the T2 return.

Part 2 – Calculation of federal foreign business income tax credit

	A Country in which foreign business income was earned 200	B Net foreign business income earned in the year * 210	C Foreign business income tax paid for the year ** 220	D Unused foreign income tax credits from preceding taxation years 230	E Total of columns C and D	F Adjusted net income (line 600 in Part 6 on page 3)
1.						
2.						
3.						
4.						
5.						

	G Part I tax otherwise payable (line 620 in Part 8 on page 3)	H Part I tax otherwise payable minus foreign non-business income tax credits claimed	I (B × G) ÷ F	J Allowable credit: the lesser of amounts E, H, and I 280	
1.					<p>* Exclude income that is exempt from tax in Canada under an income tax treaty and tax-exempt income as defined in subsection 126(7). Net foreign business income is the excess of qualifying income over qualifying losses, which are determined according to subsection 126(9).</p> <p>** Exclude taxes paid to a foreign government on income that is exempt from tax in Canada under an income tax treaty. Also exclude any foreign taxes that may reasonably be regarded as relating to an amount that any other person or partnership has received or is entitled to receive from that government.</p> <p>Exclude taxes paid for property (other than capital property) from which the corporation is not expected to realize a profit.</p> <p>Exclude taxes paid that are in excess of the limit and paid for dividends and interest on a share or debt obligation held for one year or less.</p>
2.					
3.					
4.					
5.					

Total allowable foreign business income tax credit.

Enter the total allowable foreign business income tax credit, or a lesser amount, on line 636 of the T2 return.

Part 3 – Continuity of unused federal foreign business income tax credits

K	L	M *	N	O
Country in which foreign business income was earned	Balance at end of the preceding taxation year	Amount expired in the year	Opening balance (L – M)	Credits transferred on an amalgamation or the windup of a subsidiary
345		348	350	360
1.				
2.				
3.				
4.				
5.				

* An unused federal foreign business income tax credit expires as follows:

- After **7** taxation years if it was earned in a taxation year ending before March 23, 2004;
- or
- After **10** taxation years if it was earned in a taxation year ending after March 22, 2004.

P	Q	R	S
Foreign business income tax paid for the year (from column C of Part 2)	Foreign business income tax credit deductible in the year (cannot be more than the amount in column J of Part 2)	Carryback to previous years (total of amounts in columns V, W, and X of Part 4)	Closing balance (N + O + P – Q – R)
			380
1.			
2.			
3.			
4.			
5.			

Part 4 – Request for a federal foreign business income tax credit carryback

T	U	V	W	X
Country in which foreign business income was earned	Unused foreign business income tax credit (Part 3, (P – Q))	Carryback to 1st previous year	Carryback to 2nd previous year	Carryback to 3rd previous year
900		901	902	903
1.				
2.				
3.				
4.				
5.				

Note: Total of carryback (amounts from columns V, W, and X) cannot be more than the unused foreign business income tax credit (amount from column U).

Part 5 – Calculation of federal logging tax credit

A	B	C	D	E	F
Province	Income from logging under Regulation 700	Amount B × 6 2/3%	Logging tax paid for income from column B	Amount D × 2/3	Lesser of amounts C and E
B.C.	500		510		
Quebec	520		530		

Total G

6 2/3% of taxable income (or, for non-residents, 6 2/3% of taxable income earned in Canada) H

Federal logging tax credit – Lesser of amounts G and H (enter amount I or a lesser amount on line 640 of the T2 return) **580** I

If you need more space, continue on a separate schedule.

Part 6 – Adjusted net income

Line references are from page 3 of the T2 return.

To be completed by all corporations other than an authorized foreign bank

Net income for income tax purposes (line 300) (if negative, enter "0")

Deduct:

Net capital losses claimed under paragraph 111(1)(b) (line 332)

Taxable dividends deductible under sections 112 and 113

Amount deductible under paragraph 110(1)(d.2) for prospector's and grubstaker's shares (line 350)

Net amount (if negative, enter "0")

Add:

Amount added to taxable income for foreign tax deductions under section 110.5 (line 355)

Total

A

To be completed by an authorized foreign bank only

Taxable income earned in Canada (line 360) (if negative, enter "0")

Income from its Canadian banking business (line 300) (if negative, enter "0")

Add:

Amount added to taxable income for foreign tax deductions under subparagraph 115(1)(a)(vii) (line 355)

Subtotal

Amount B or C, whichever is less

B
C
D

Adjusted net income (amount A or D, whichever is applicable) **600**

Part 7 – Part I tax otherwise payable (foreign non-business income tax credit)

Line references are from page 7 of the T2 return.

Base amount of Part 1 tax (line 550)

Deduct:

Federal tax abatement (line 608)

Investment corporation deduction (line 620)

Additional deduction for credit unions (line 628)

General tax reduction (line 639)

Net amount

Add:

Corporate surtax (line 600)

Recapture of investment tax credit (line 602)

Refundable tax on Canadian -controlled private corporation's (CCPC) investment income (line 604)

Part I tax otherwise payable

610

Part 8 – Part I tax otherwise payable (foreign business income tax credit)

Line references are from page 7 of the T2 return.

Base amount of Part 1 tax (line 550)

Deduct:

Investment corporation deduction (line 620)

Additional deduction for credit unions (line 628)

General tax reduction for CCPCs (line 638)

General tax reduction (line 639)

Net amount

Add:

Corporate surtax (line 600)

Recapture of investment tax credit (line 602)

Part I tax otherwise payable

620