

PROVINCIAL FOREIGN TAX CREDIT

Use this form to calculate the foreign tax credit that you can deduct from your provincial income tax payable to your **province of residence** at the end of the tax year. References to a province also include the Yukon, the Northwest Territories, and Nunavut.

To claim this credit, you must have been resident in a province (other than Quebec) on December 31 of the tax year or on the date you departed from Canada. A deceased person must have been resident in a province (other than Quebec) on the date of death. In addition, you must have had to include, on your Canadian return, income originating in a foreign country. The non-business taxes you paid to that foreign country must have been more than the federal non-business foreign tax credits.

Attach a completed copy of this form to your return. If the total taxes you paid to all foreign countries is more than \$200, complete a separate form for each foreign country to which you paid taxes.

Non-business-income tax paid to a foreign country *		1
Federal foreign tax credit for non-business-income tax: Enter the amount from line 3 of Form T2209 (see Note 1)	2	
Enter the amount from line 15 of Form T2209	+	3
Add line 2 and line 3 (see Note 2)	=	▶ 4
Line 1 minus line 4 (if negative, enter "0")		= 5
Net foreign non-business income **	×	6
Divided by: Net income ***	=	
Enter the amount from line 5 or line 6, whichever is less	Provincial foreign tax credit	7

* **Non-business-income tax paid to a foreign country** is the total income or profits taxes you paid to that country or to a political subdivision of the country for the year (excluding business-income tax), minus any part of these taxes that is deductible under subsection 20(11) or deducted under subsection 20(12) of the federal *Income Tax Act*. It does not include any part of these taxes that can reasonably be attributed to amounts that:

- any other person or partnership received or is entitled to receive from the foreign country;
- relate to employment income from that country for which you claimed an overseas employment tax credit;
- relate to taxable capital gains from that country for which you or your spouse claimed a capital gains deduction;
- were deductible as exempt income under a tax treaty between Canada and that country; or
- were taxable in the foreign country because you were a citizen of that country, and relate to income from a source within Canada.

Any amount of tax paid to a foreign government in excess of the amount required to be paid, according to a tax treaty, is considered a voluntary contribution and does not qualify as foreign taxes paid.

** **Net foreign non-business income** (see Note 3) is the net amount you calculate when the non-business income you earned in a foreign country exceeds the non-business losses you incurred in the same country. When you calculate the non-business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss (including deductions claimed under subsections 20(11) or 20(12) of the federal *Income Tax Act*, and excluding any deduction you claimed for a dividend you received from a controlled foreign affiliate).

Reduce this amount by:

- any income from that foreign country for which you claimed a capital gains deduction;
- any income from that country that was, under a tax treaty between Canada and that country, either deductible as exempt income in Canada, or exempt from tax in that country;
- any part of employment income from that country for which you claimed an overseas employment tax credit.

If the net foreign non-business income is more than **net income**, use **net income** in the calculation.

*** **Net income** (see Note 4) is the amount on line 236 of your return plus the deduction claimed for split income on line 232 of your return (if you were not a resident of Alberta and you completed Form T2203, *Provincial and Territorial Taxes – Multiple Jurisdictions*, use the net income you allocated to your province of residence), minus any of the following:

- amounts deductible as an employee home relocation loan deduction (line 248 of your return);
- amounts deductible as stock option and shares deductions (line 249 of your return);
- amounts deductible as an other payments deduction (line 250 of your return);
- net capital losses of other years you claimed (line 253 of your return);
- capital gains deduction you claimed (line 254 of your return); and
- foreign income deductible as exempt income under a tax treaty, or deductible as net employment income from a prescribed international organization (included on line 256 of your return).

**** **Provincial tax otherwise payable** is the provincial tax calculated before determining the provincial foreign tax credit. Use the applicable provincial tax calculation form to determine this amount. If you were a resident of Ontario, calculate this amount by replacing the instructions on line 24 of Form ON428 with "Add lines 18, 19, 22, and 23". If you were a resident of Alberta, calculate this amount by replacing the reference to "line 23 of Schedule 1" on line 1 of Form AB428 with "total of lines 19, 20, and 23 of Schedule 1".

Note 1: Form T2209 is called *Federal Foreign Tax Credits*. If minimum tax applies and you were a resident of Ontario or Alberta, enter on line 2 the portion of the special foreign tax credit you calculated on Form T691, *Alternative Minimum Tax*, that relates to non-business-income taxes you paid to a foreign country.

Note 2: If you were a resident of Alberta and claimed an overseas employment tax credit, also add 144% of that amount.

Note 3: If you were a resident of Canada for only part of the year, include only the income for the part of the year you were a resident.

Note 4: If you were a resident of Canada for only part of the year, include the income for the part of the year you were a resident of Canada plus the taxable income you earned in Canada (before deductions under paragraphs 115(1)(d) to (f) of the federal *Income Tax Act*) as reported on your Canadian return for the part of the year you were not a resident of Canada.