

# PROVINCIAL OR TERRITORIAL FOREIGN TAX CREDIT

Use this form to calculate the **non-business** foreign tax credit for 2004 that you can deduct from the income tax payable to the province or territory you resided in at the end of the year. The term "end of the year" means December 31, 2004, the date you left Canada if you emigrated in 2004, or the date of death for a person who died in 2004. This form does not apply to residents of Quebec. If you are a resident of British Columbia or Manitoba and subject to minimum tax, you cannot claim a provincial foreign tax credit.

Before you complete this form, calculate your federal foreign tax credit by using federal Schedule 1 or Form T2209, *Federal Foreign Tax Credit*. If the amount of federal foreign tax credit you are entitled to deduct is equal to the foreign non-business tax you paid, do not complete this form as your provincial or territorial foreign tax credit would be zero.

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

<b>Country or countries for which you are making this claim:</b> _____	
Enter the amount from line 1 of Form T2209, <i>Federal Foreign Tax Credit</i> , or from line (i) of federal Schedule 1. . . . .	_____   <b>1</b>
Enter the federal foreign tax credit you are entitled to deduct on line 14 of federal Schedule 1 in respect of non-business income. If you are subject to minimum tax for 2004, see Note 1 . . . . .	- _____   <b>2</b>
Line 1 minus line 2 . . . . .	= _____   <b>3</b>
Net foreign non-business income * . . . . .	_____   <b>4</b>
Divided by: Net income ** . . . . .	_____   <b>4</b>
$\times$	_____   <b>4</b>
Provincial or territorial tax otherwise payable ***	_____   <b>4</b>
<b>Provincial or territorial foreign tax credit</b>	<div style="border: 1px solid black; width: 100px; height: 20px;"></div>   <b>5</b>
Enter the amount from line 3 or line 4, whichever is less . . . . .	
Enter the amount from line 5 on the line for the provincial or territorial foreign tax credit of Form 428. If you have to pay tax to more than one jurisdiction, enter the amount from line 5 on the applicable Part 4, Section 428MJ of Form T2203, only for the province or territory you resided in on the last day of the year.	

\* **Net foreign non-business income** (see Note 2) 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; and
- any part of employment income from that country for which you claimed an overseas employment tax credit (an amount that is the **lesser** of the amounts of lines E or F of Form T626, *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 Notes 3 and 4) is the amount on line 236 of your return plus, if applicable, the amount on line 3 of Form T1206, *Tax on Split Income*, minus any of the following:

- amounts deductible as Canadian Forces personnel and police deduction (line 244 of your return);
- amounts deductible as an employee home relocation loan deduction (line 248 of your return);
- amounts deductible as security options 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

- amounts deductible as net employment income from a prescribed international organization, as foreign income exempt under a tax treaty, or as adult basic education tuition assistance which are included on line 256 of your return.

\*\*\* **Provincial or territorial tax otherwise payable** is the tax calculated for your province or territory of residence before determining the provincial and territorial foreign tax credit. Use the applicable provincial or territorial tax calculation, from Form 428 or Section 428MJ of Form T2203, to determine this amount.

If you were a resident of Ontario, calculate this amount by adding the amounts of lines 41 and 42 of Form ON428 to the amount from line 47 and continue the calculation. The amount from line 59 is your "provincial or territorial tax otherwise payable" for the purposes of the provincial foreign tax credit.

If you were a resident of Alberta, calculate this amount by adding the amounts of lines 35 and 36 of Form AB428 to the amount from line 41. This amount is your "provincial or territorial tax otherwise payable" for the purposes of the provincial foreign tax credit.

**Note 1:** If you are a resident of British Columbia or Manitoba and subject to minimum tax, you cannot claim a provincial foreign tax credit. For another province or territory, enter on line 2 the portion, if any, of the special foreign tax credit (line 88 of Form T691, *Alternative Minimum Tax*) that relates to non-business-income taxes you paid to a foreign country for 2004.

**Note 2:** 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 3:** If you were a resident of Canada for part of the year, include the income for the part of the year you were a resident of Canada plus any income and losses referred to in paragraphs 115(1)(a) to (c) 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.

**Note 4:** If you paid tax to more than one jurisdiction in 2004, line 236 plus the amount on line 3 of Form T1206 is the amount allocated to your province or territory of residence in column 4, Part 1 of Form T2203.