

CALCULATION OF PROVINCIAL FOREIGN TAX CREDIT

Use this form to determine the amount you can claim as a foreign tax credit deduction from the provincial income tax payable to your **province of residence** on December 31 of the taxation year. References to a province include the Yukon Territory and the Northwest Territories.

To claim this credit, you must have been resident in a province other than Quebec on December 31 of the taxation 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 income originating in a foreign country on your Canadian income tax return. 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 income tax return. If the total foreign taxes you paid to all foreign countries is more than \$200, complete a separate form for each foreign country to which you paid foreign 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	2
Enter any additional federal non-business foreign tax credit allowed against the individual surtax from line 13 of Form T2209	+	3	3
Add line 2 and line 3	=	4	4
Excess of non-business-income tax paid over the federal non-business foreign tax credits:			
Line 1 minus line 4 (if negative, enter "0")	=	5	5
Net foreign non-business income **	X	Provincial tax otherwise payable ****	6
Net income ***		6	6
Enter the amount from line 5 or line 6, whichever is less		7	7
Provincial foreign tax credit			

* **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 (plus 45.5% of that amount, if you were a resident of Alberta);
- 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.

In addition, 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 2) is the total non-business income you earned in the foreign country before deducting the foreign tax, minus allowable expenses and deductions relating to the foreign income (other than 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, and by any income from that country that was deductible as exempt income under a tax treaty between Canada and that country. Also, reduce this amount by 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 the net income, use the amount of the net income in the calculation.

*** **Net income** (see Note 3) is the net income you allocated to your province of residence on Form T2203 if you were not a resident of Alberta, or the amount on line 236 of your return (if you filed a Form T581 election and you were a resident of Alberta or Ontario, add the amount on line 7 of that form), minus any:

- 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 you calculated before determining the provincial foreign tax credit. Use the Form T1C or T1C-TC that applies to determine the amount of provincial tax. When you complete this calculation, determine the Ontario and Alberta tax before the provincial foreign tax credit by replacing the reference to line 26 of Schedule 1 on Form T1C (ONT.) TC or Form T1C (ALTA.) with "line 26 plus any dividend tax credit and overseas employment tax credit."

Note 1: If minimum tax applies and you were a resident of Ontario or Alberta, enter the part of the special foreign tax credit you calculated on Form T691 that relates to non-business-income taxes you paid to a foreign country.

Note 2: If you were a resident of Canada for part of the year, only include the income for the part of the year you were a resident of Canada.

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 and 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 income tax return for the part of the year you were not a resident of Canada.