

CALCULATION OF PROVINCIAL FOREIGN TAX CREDIT

Use this form to calculate your foreign tax credit that is deductible 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, 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	=	▶ 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
Net foreign non-business income **	X	Provincial tax otherwise payable ****	= 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 (plus 44% 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 of the gross non-business income you earned in the foreign country, minus allowable expenses and deductions relating to the foreign income (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, and by 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. 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 **net income**, use **net income** in the calculation.

*** **Net income** (see Note 3) is the net income you allocated to your province of residence on Form T2203, *Calculation of Tax for 1998 – Multiple Jurisdictions*, if you were not a resident of Alberta, or the amount on line 236 of your return, 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 Form T1C or T1C-TC, whichever applies, to determine the amount of provincial tax. When you complete this calculation, determine any Ontario and Alberta tax before the provincial foreign tax credit by replacing the reference to line 33 of Schedule 1 on Form T1C (ONT.) TC or Form T1C (ALTA.) with "line 33 plus any federal dividend tax credit and overseas employment tax credit."

Note 1: Form T2209 is called *Calculation of Federal Foreign Tax Credits*. If minimum tax applies and you were a resident of Ontario or Alberta, enter on line 2 the part of the special foreign tax credit you calculated on Form T691, *Calculation of Minimum Tax*, 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 return for the part of the year you were not a resident of Canada.