



CALCULATION OF CAPITAL GAINS DEDUCTION FOR 2001

Use this form if you disposed of **qualified farm property** or **qualified small business corporation shares** in 2001 or a previous year. For the definitions of qualified farm property and qualified small business corporation shares, see Chapter 2 in the guide called *Capital Gains*.

Note

Any capital gains realized from the disposition of qualified farm property or qualified small business corporation shares, while you were a non-resident of Canada, are not eligible for the capital gains deduction.

You have to be a resident of Canada throughout 2001 to be eligible to claim the capital gains deduction. For the purposes of this deduction, we also consider you to be a resident throughout 2001 if you were a resident of Canada for part of 2001 and throughout 2000 or 2002.

If you have investment income or investment expenses in 2001, complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2001*, before you complete this form. Form T936 lists what is considered to be investment income and expenses. You can get this form from our Web site at www.ccra.gc.ca or from your tax services office.

What is the capital gains deduction limit?

There is a limit to the amount of capital gains deduction that you can claim. This limit depends on the type of capital property that you disposed of. If you disposed of qualified farm property or qualified small business corporation shares, you may be eligible for the \$500,000 capital gains exemption. Because you only include one-half of a capital gain in your income, your cumulative capital gains deduction is \$250,000 (one-half of \$500,000). The total of your capital gains deductions from 1985 to 2001 for all types of capital property cannot be more than your cumulative deduction of \$250,000. For more information, see the section called "Claiming a capital gains deduction" in the guide called *Capital Gains*.

Qualified farm property

When you dispose of qualified farm property and have a capital gain, you can claim a capital gains deduction in 2001 that is equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2001;
- your cumulative gains limit for 2001;
- your net taxable capital gains in 2001, from dispositions of qualified farm property after 1984; or
- your maximum capital gains deduction available for 2001.

Qualified small business corporation shares

When you dispose of qualified small business corporation shares and have a capital gain, you can claim a capital gains deduction in 2001 equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2001, **minus** any capital gains deduction for qualified farm property claimed in 2001;
- your cumulative gains limit for 2001, **minus** any capital gains deduction for qualified farm property claimed in 2001;
- your net taxable capital gains in 2001 from dispositions of qualified small business corporation shares after June 17, 1987; or
- your maximum capital gains deduction available for 2001.

There is an election available to you if you own shares of a qualifying small business corporation that stops being a small business corporation because:

- a class of its shares is listed on a prescribed stock exchange; or
- after 1999, a class of another corporation's shares is listed on a prescribed stock exchange.

This election will allow you to report a capital gain on your return and claim the \$250,000 capital gains deduction, even though you did not actually sell your shares. The deduction applies to any gains you have on these shares to the date the shares are listed. To make this election, complete Form T2101, *Election in Respect of Gains on Shares of a Corporation Becoming Public*. You can get this form from our Web site or from your tax services office.

Part 1 – Calculating your annual gains limit for 2001

Total net capital gains (or losses): total of lines 107, 110, and 124 of Schedule 3 plus lines 6683 and 6690 of Form T2017 (if the amount is a loss, show it in brackets)	_____	1	
Total taxable capital gains (or losses): Amount from line 1 _____ X 1/2 . . . =	_____	2	
Farming income eligible for the capital gains deduction (line 173 on Schedule 3)	+	3	
Eligible taxable capital gains or losses (line 2 plus line 3; if negative, enter "0").	=====	4	
Total taxable capital gains or net capital losses from line 199 of Schedule 3 (if the amount is a loss, show it in brackets)	_____	5	
Enter the amount from line 3 above	+	6	
Line 5 plus line 6 (if the amount is a loss, enter "0").	=====	7	
2001 eligible taxable capital gains (enter the amount from line 4 or 7, whichever is less ; if line 8 is zero, you cannot claim a capital gains deduction for 2001).	=====	8	▶ _____
Net capital losses of other years deducted in 2001 (line 253 of your 2001 return).	_____ a		
Net capital losses of other years applied against net non-eligible taxable capital gains in 2001 (line 7 in Part 1 of Form T936 for 2001)	- _____ b		
Net capital losses of other years (line a minus line b; if negative, enter "0").	=====	9	▶ _____
Allowable business investment losses (line 217 of your 2001 return)	+	10	
Line 9 plus line 10	=====	11	▶ - _____
Annual gains limit for 2001 (line 8 minus line 11; if negative, enter "0").	=====	12	=====

If line 12 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2001.

Part 2 – Calculating your cumulative gains limit for 2001

Total taxable capital gains reported after 1984 and before 1992 (line 127 of your returns for these years). Do not include reserves reported on property disposed of before 1985	_____	13	
1992 and 1993 eligible taxable capital gains (line 3 in Part 1 of Form T657 or T657A for 1992 and 1993)	+	14	
1994 eligible taxable capital gains (line 5 in Part 1 of Form T657 or T657A for 1994).	+	15	
1995 eligible taxable capital gains (line 7 in Part 1 of Form T657 or line 3 of Form T657A for 1995)	+	16	
1996 to 1999 eligible taxable capital gains (line 8 in Part 1 of Form T657 for those years)	+	17	
2000 eligible taxable capital gains (line 7 in Part 1 of Form T657 for 2000)	+	18	
2001 eligible taxable capital gains (line 8 in Part 1 above)	+	19	
Cumulative eligible taxable capital gains (total of lines 13 to 19)	=====	20	▶ _____
Allowable capital losses claimed in 1985 (amount shown in brackets on line 127 of your 1985 return; maximum of \$2,000)	_____	21	
Allowable business investment losses claimed after 1984 and before 2001 (line 217 on your 1985 to 2000 returns).	+	22	
Net capital losses of other years claimed after 1984 and before 2001 (enter the total of amounts in column G of Chart 1 on page 4).	+	23	
Total losses used to calculate your annual gains limit for 2001 (from line 11 of Part 1 above)	+	24	
Cumulative net investment loss to December 31, 2001 (line C in Part 3 of Form T936 for 2001).	+	25	
Total capital gains deductions claimed after 1984 and before 2001 (line 254 on your 1985 to 2000 returns).	+	26	
Total of lines 21 to 26	=====	27	▶ - _____
Cumulative gains limit for 2001 (line 20 minus line 27; if negative, enter "0")	=====	28	=====

If line 28 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2001.

Part 3 – Calculating your capital gains deduction on qualified farm property

Complete this part if:

- you disposed of qualified farm property in 2001; or
- you are reporting a reserve in 2001 on qualified farm property you disposed of after 1984.

Maximum capital gains deduction for qualified farm property for 2001	\$250,000 00	29
Capital gains deductions from previous years (line j of Chart 2 on page 4)	-	30
Capital gains deduction available for qualified farm property for 2001 (line 29 minus line 30; if negative, enter "0")	=	▶ 31
Taxable capital gains from the disposition of qualified farm property in 2001:		
Line 110 of Schedule 3		
Line 124 of Schedule 3	+	
Line 6683 of Form T2017	+	
Total	=	▶ X 1/2 32
Farming income eligible for the capital gains deduction (line 173 of Schedule 3)	+	33
Total taxable capital gains from the disposition of qualified farm property (line 32 plus line 33)	=	▶ 34
Capital gains deduction on qualified farm property – The maximum amount that you can enter on line 35 is the least of lines 12, 28, 31, and 34. However, you can enter an amount that is less than the maximum	=	▶ 35

If, in 2001, you disposed of qualified small business corporation shares or reported a reserve from a previous year for such shares, complete Part 4. Otherwise, complete Part 5.

Part 4 – Calculating your capital gains deduction on qualified small business corporation shares

Complete this part if:

- you disposed of qualified small business corporation shares in 2001; or
- you are reporting a reserve in 2001 on qualified small business corporation shares you disposed of after June 17, 1987.

Maximum capital gains deduction for qualified small business corporation shares for 2001	\$250,000 00	36
Capital gains deductions from previous years (line j of Chart 2 on page 4)	-	37
Capital gains deduction available for qualified small business corporation shares for 2001 (line 36 minus line 37; if negative, enter "0")	=	▶ 38
Taxable capital gains from the disposition of qualified small business corporation shares in 2001:		
Line 107 of Schedule 3		
Line 6690 of Form T2017	+	
Total	=	▶ X 1/2 39
Annual gains limit (from line 12 in Part 1 on page 2)		40
Capital gains deduction on qualified farm property (line 35 in Part 3 above)	-	41
Net annual gains limit (line 40 minus line 41)	=	▶ 42
Cumulative gains limit (line 28 in Part 2 on page 2)		43
Capital gains deduction on qualified farm property (line 35 in Part 3 above)	-	44
Net cumulative gains limit (line 43 minus line 44)	=	▶ 45
Capital gains deduction on qualified small business corporation shares – The maximum amount that you can enter on line 46 is the least of lines 38, 39, 42, and 45. However, you can enter an amount that is less than the maximum	=	▶ 46

Part 5 – Calculating your maximum capital gains deduction for 2001

Maximum capital gains deduction on all capital property	\$250,000 00	47
Capital gains deductions from previous years (line j of Chart 2 on page 4)	-	48
Capital gains deduction available for 2001 (line 47 minus line 48; if negative, enter "0")	=	49
Capital gains deduction on qualified farm property (line 35 in Part 3 above)		50
Capital gains deduction on qualified small business corporation shares (line 46 in Part 4 above)	+	51
Line 50 plus line 51	=	▶ 52
The maximum amount you can enter on line 53 is the lesser of lines 49 and 52. However, you can enter an amount that is less than the maximum. Enter this amount on line 254 of your 2001 return	=	▶ 53

Chart 1 – Calculating line 23 (net capital losses of other years)

- Column A Enter the amount of net capital losses from other years claimed for each year indicated (amount from line 253 of each return).
- Column B For 1985, 1986, and 1987, enter 1/2 of reserves included in capital gains for capital property disposed of before 1985 (1/2 of those reserves reported on your Schedule 3 for 1985, 1986, and 1987).
 For 1988 and 1989, enter 2/3 of reserves included in capital gains for capital property disposed of before 1985 (2/3 of the amount entered on line 395 of Form T2017 for 1988 and 1989).
 For 1990 and 1991, enter 3/4 of reserves included in capital gains for capital property disposed of before 1985 (3/4 of the amount entered on line 395 of Form T2017 for 1990 and 1991).
- Column C For 1992, enter the **lesser** of the amount from line 127 of your 1992 return and the amount from line (f) in Part A of Form T936 for 1992.
 For 1993, enter the **lesser** of the amount from line 127 of your 1993 return and the amount from line (d) in Chart A of Form T936 for 1993.
 For 1994, enter the amount from line (p) in Chart B of Form T936 for 1994.
 For 1995, enter the amount from line (m) in Chart B of Form T936 for 1995.
 For 1996, 1997, 1998, and 1999, enter the amount from line 17 in Chart A of Form T936 for 1996, 1997, 1998, and 1999.
 For 2000, enter the amount from line 24 in Chart A of Form T936 for 2000.
- Column D For 1992, enter the amount from line (k) in Part B of Form T936 for 1992.
 For 1993, enter the amount from line (k) in Chart B of Form T936 for 1993.

Year	A	B	C	D	E	F	G
					(C - D) If negative, enter "0"	(B + E)	(A - F) If negative, enter "0"
1985			N/A	N/A	N/A		
1986			N/A	N/A	N/A		
1987			N/A	N/A	N/A		
1988			N/A	N/A	N/A		
1989			N/A	N/A	N/A		
1990			N/A	N/A	N/A		
1991			N/A	N/A	N/A		
1992		N/A					
1993		N/A					
1994		N/A		N/A			
1995		N/A		N/A			
1996		N/A		N/A			
1997		N/A		N/A			
1998		N/A		N/A			
1999		N/A		N/A			
2000		N/A		N/A			

Add the amounts in column G and enter the result on line 23 in Part 2 of this form.

Chart 2 – Calculating lines 30, 37, and 48 (capital gains deductions from previous years)

Total capital gains deductions claimed after 1984 and before 1988 (line 254 of your 1985 to 1987 returns)	_____	a
Capital gains deductions claimed in 1988 and 1989 excluding eligible capital property (line 254 of your 1988 and 1989 returns minus any amounts reported on lines 543 and 544 on Schedule 3 for 1988 and 1989; if negative, enter "0")	+ _____	b
Adjustment of 1988 and 1989 capital gains deductions excluding eligible capital property (enter 1/4 of amount on line b)	- _____	c
Capital gains deductions claimed in 1988 and 1989 for eligible capital property (total of lines 254 of your 1988 and 1989 returns minus the amount on line b above; not to exceed the total of lines 543 and 544 on Schedule 3 for 1988 and 1989)	+ _____	d
Adjustment of 1988 and 1989 capital gains deductions for eligible capital property (enter 1/3 of amount on line d) ..	- _____	e
Total capital gains deductions claimed in 1990 to 1999 (line 254 of your returns for these years)	+ _____	f
Adjustment of 1990 to 1999 capital gains deductions (enter 1/3 of amount on line f)	- _____	g
Total capital gains deduction claimed in 2000 (line 254 of your 2000 return)	+ _____	h
Adjustment of 2000 capital gains deduction. Amount from line h × [1 - (1 ÷ (2 × IR))]	- _____	i
Total of lines a to i	= _____	j

Note: IR represents your inclusion rate for 2000. This rate was determined on line 16 in Part 4 of your Schedule 3 for 2000.