



## CALCULATION OF CAPITAL GAINS DEDUCTION FOR 2008

Use this form if you disposed of **qualified farm property** or **qualified small business corporation shares** in 2008 or a previous year, or disposed of **qualified fishing property** after May 1, 2006. For the definitions of qualified farm property, qualified fishing property and qualified small business corporation shares, see the section called "Definitions" in Guide T4037, *Capital Gains*.

### Note

You have to be a resident of Canada throughout 2008 to be eligible to claim the capital gains deduction. For the purpose of this deduction, we also consider you to be a resident throughout 2008 if you were a resident of Canada for part of 2008 and throughout 2007 or 2009.

Deferred capital gains from the disposition of qualified small business corporation shares **do not qualify** for this deduction.

If you have investment income or investment expenses in 2008, complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 2008*, before you complete this form. Form T936 lists what we consider to be investment income and expenses. If you are reporting a reserve claimed on your 2007 return or claiming a reserve in 2008, you also have to complete Form T2017, *Summary of Reserves on Dispositions of Capital Property*. Enter the amount of the reserve on line 192 of Schedule 3. You can get these forms from our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling us at **1-800-959-2221**.

### What is the capital gains deduction limit?

If you disposed of qualified farm property or qualified small business corporation shares, or disposed of qualified fishing property after May 1, 2006, you may be eligible for the lifetime capital gains exemption (LCGE). Because you only include half of a capital gain in your income, your cumulative capital gains deduction is 1/2 the LCGE. The total of your capital gains deductions on dispositions from 1985 to March 18, 2007, for all types of capital property could not be more than your cumulative deduction of \$250,000. However, the capital gains deduction limit on gains arising from dispositions after March 18, 2007, increased by \$125,000 to \$375,000 (1/2 of an increased exemption of \$750,000). For more information, see the section called "Claiming a capital gains deduction" in Guide T4037, *Capital Gains*.

### Qualified farm property and qualified fishing property

When you dispose of qualified farm or fishing property and have a capital gain, you can claim a capital gains deduction in 2008 that is equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2008;
- your cumulative gains limit for 2008;
- your net taxable capital gains reported in 2008 from dispositions of qualified farm property and qualified fishing property disposed of after May 1, 2006; or
- your maximum capital gains deduction available.

### 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 2008 that is equal to one of the following amounts, whichever is **lowest**:

- your annual gains limit for 2008 **minus** any capital gains deduction for qualified farm and fishing property claimed in 2008;
- your cumulative gains limit for 2008 **minus** any capital gains deduction for qualified farm property and qualified fishing property claimed in 2008;
- your net taxable capital gains reported in 2008 from dispositions of qualified small business corporation shares; or
- your maximum capital gains deduction available.

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 taxable capital gain on your return and claim the \$375,000 capital gains deduction, even though you did not actually sell your shares. The deduction applies to any gain you have on these shares to the date the shares are listed. To make this election, complete Form T2101, *Election for Gains on Shares of a Corporation Becoming Public*. You can get this form from our Web site at [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling us at **1-800-959-2221**.

**Part 1 – Calculating your annual gains limit for 2008**

Total net capital gains (or losses): total of lines 107, 110, and 124 of Schedule 3 <b>plus</b> 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/fishing income eligible for the capital gains deduction (line 173 on Schedule 3) ..	+	_____	3	
Eligible taxable capital gains or losses (line 2 <b>plus</b> 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) .....				
Amount from line 176 on Schedule 3 (if negative, enter "0") _____ X 1/2 .....	-	_____	5	
Line 5 <b>minus</b> line 6 .....	=	_____	7	
Enter the amount from line 3 above .....	+	_____	8	
Line 7 <b>plus</b> line 8 (if the amount is a loss, enter "0") .....	=	_____	9	
2008 eligible taxable capital gains (enter the amount from line 4 or 9, <b>whichever is less</b> ; if line 10 is zero, you cannot claim a capital gains deduction for 2008) .....		_____	10	▶ _____
Net capital losses of other years deducted in 2008 (line 253 of your 2008 return). The amount cannot exceed the amount from line 7 above. ....		_____	a	
Net capital losses of other years applied against net non-eligible taxable capital gains in 2008 (line 7 in Part 1 of Form T936 for 2008) .....	-	_____	b	
Net capital losses of other years (line <b>a minus</b> line b; if negative, enter "0") .....	=	_____	11	
Allowable business investment losses (line 217 of your 2008 return) .....	+	_____	12	
Line 11 <b>plus</b> line 12 .....	=	_____	13	▶ _____
<b>Annual gains limit for 2008</b> (line 10 <b>minus</b> line 13; if negative, enter "0") .....	=	_____	14	▶ _____

If line 14 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2008.

**Part 2 – Calculating your cumulative gains limit for 2008**

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. ....	_____		15	
1992 and 1993 eligible taxable capital gains (line 3 in Part 1 of Form T657 or T657A for 1992 and 1993) .....	+	_____	16	
1994 eligible taxable capital gains (line 5 in Part 1 of Form T657 or T657A for 1994) .....	+	_____	17	
1995 eligible taxable capital gains (line 7 in Part 1 of Form T657 or line 3 of Form T657A for 1995) .....	+	_____	18	
1996 to 1999 eligible taxable capital gains (line 8 in Part 1 of Form T657 for those years) .....	+	_____	19	
2000 eligible taxable capital gains (line 7 in Part 1 of Form T657 for 2000) .....	+	_____	20	
2001 eligible taxable capital gains (line 8 in Part 1 of Form T657 for 2001) .....	+	_____	21	
2002 to 2008 eligible taxable capital gains (line 10 in Part 1 of Form T657 for those years) .....	+	_____	22	
Cumulative eligible taxable capital gains (total of lines 15 to 22) .....	=	_____	23	▶ _____
Allowable capital losses claimed in 1985 (amount shown in brackets on line 127 of your 1985 return; maximum of \$2,000) .....		_____	24	
Allowable business investment losses claimed after 1984 and before 2008 (line 217 on your 1985 to 2007 returns) .....	+	_____	25	
Net capital losses of other years claimed after 1984 and before 2008 (enter the total of amounts in column G of Chart 1 on page 4) .....	+	_____	26	
Total losses used to calculate your annual gains limit for 2008 (from line 13 of Part 1 above) .....	+	_____	27	
Cumulative net investment loss to December 31, 2008 (line C in Part 3 of Form T936 for 2008) .....	+	_____	28	
Total capital gains deductions claimed after 1984 and before 2008 (line 254 on your 1985 to 2007 returns) .....	+	_____	29	
Total of lines 24 to 29 .....	=	_____	30	▶ _____
<b>Cumulative gains limit for 2008</b> (line 23 <b>minus</b> line 30; if negative, enter "0") .....	=	_____	31	▶ _____

If line 31 is zero, do not complete the rest of this form, because you cannot claim a capital gains deduction for 2008.

**Part 3a – Calculating your capital gains deduction on qualified farm property, qualified fishing property, and qualified small business corporation shares (Step 1)**

Complete this part if:

- you disposed of qualified farm property, qualified fishing property, or qualified small business corporation shares in 2008; or
- you are reporting a reserve in 2008 from the disposition of qualified farm property, qualified small business corporation shares, and/or qualified fishing property.

Maximum capital gains deduction for qualified farm property, qualified fishing property, and/or qualified small business corporation shares .....	\$375,000	00	32
Capital gains deductions from previous years (line k of Chart 2 on page 4) .....	-		33
Capital gains deduction available for dispositions of qualified farm property, qualified fishing property, and qualified small business corporation shares (line 32 <b>minus</b> line 33; if negative, you do not qualify for a capital gains deduction in 2008) .....	=		34

Taxable capital gains from dispositions after March 18, 2007, of qualified farm property, qualified fishing property and/or qualified small business corporation shares included in your 2008 income:

Line 107 of Schedule 3 .....	_____		
Line 110 of Schedule 3 .....	+	_____	
Line 124 of Schedule 3 .....	+	_____	
Line B of Form T2017 .....	+	_____	
Line D of Form T2017 .....	+	_____	
<b>Total</b> .....	=	_____	35

Farming/fishing income eligible for the capital gains deduction (line 173 of Schedule 3) ..	+	_____	36
Total taxable capital gains from the disposition of qualified farm property, qualified fishing property, and qualified small business corporation shares (line 35 <b>plus</b> line 36) ...	=	_____	37

If lines 14, 31, and 34 are all greater than line 37 **and** you are bringing a reserve for dispositions before March 19, 2007 of qualified farm property, qualified fishing property, and/or qualified small business corporation shares into 2008 income, complete Part 3b. If this situation does not apply to you, the maximum amount you can enter on line 254 of your 2008 return is the **lesser** of lines 14, 31, 34 and 37. **Enter this amount on line 47 at the end of Part 3b.** You can, however, opt to claim less than the maximum.

**Part 3b – Calculating your capital gains deduction on qualified farm property, qualified fishing property, and qualified small business corporation shares (Step 2)**

Complete this part if:

- you are reporting a reserve in 2008 on qualified farm property or small business corporation shares disposed of before March 19, 2007, and/or qualified fishing property disposed of after May 1, 2006 and before March 19, 2007.

Maximum capital gains deduction for qualified farm property and/or qualified small business corporation shares disposed of before March 19, 2007, and/or qualified fishing property disposed of after May 1, 2006 and before March 19, 2007 .....	\$250,000	00	38
Capital gains deductions from previous years (line k of Chart 2 on page 4) .....	-		39
Capital gains deduction available for qualified farm property and/or qualified small business corporation shares disposed of before March 19, 2007, and/or qualified fishing property disposed of after May 1, 2006 and before March 19, 2007 (line 38 <b>minus</b> line 39; if negative, enter "0") .....	=		40

Line A of Form T2017 .....	_____	41	
Line C of Form T2017 .....	+	_____	
Line 41 <b>plus</b> line 42; Taxable capital gains from a reserve on qualified farm property and/or qualified small business corporation shares disposed of before March 19, 2007 and/or qualified fishing property disposed of after May 1, 2006, and before March 19, 2007 included in your 2008 income. ....	=	_____	43

Enter the <b>lesser</b> of lines 40 and 43 on line 44 .....	_____	44	
Enter the amount from line 37 in Part 3a, or "0", <b>whichever is more</b> , on line 45 .....	+	_____	
Line 44 <b>plus</b> line 45; Total amount of capital gains included in your 2008 income that is eligible for the capital gains deduction .....	=	_____	46

Maximum capital gains deduction you can claim at line 254 for disposition of qualified farm property, qualified fishing property, and/or qualified small business corporation shares included in 2008 income is the **lesser** of the amounts at lines 14, 31, 34, and 46. **Enter this amount on line 47.** You can, however, opt to claim less than the maximum.

Maximum amount you can enter on line 254 of your 2008 income tax return .....	_____	47
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**Chart 1 – Calculating line 26 (net capital losses of other years)**

- Column A** Enter the **total** 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 the **total** 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 the **total** reserves included in capital gains for capital property disposed of before 1985 (2/3 of the amounts entered on line 395 of Form T2017 for 1988 and 1989).  
 For 1990 and 1991, enter 3/4 of the **total** reserves included in capital gains for capital property disposed of before 1985 (3/4 of the amounts 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 or 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 or 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 to 1999, enter the **total** amount from line 17 in Chart A of Form T936 for 1996 to 1999.  
 For 2000, enter the amount from line 24 in Chart A of Form T936 for 2000.  
 For 2001 to 2004, enter the **total** amount from line 17 in Chart A of Form T936 for 2001 to 2004.  
 For 2005 to 2007, enter the **total** amount from line 15 in Chart A of Form T936 for 2005 to 2007.
- 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(s)	A	B	C	D	E	F	G
					(C – D) If negative, enter "0"	(B + E)	(A – F) If negative, enter "0"
1985 to 1987			N/A	N/A	N/A		
1988 and 1989			N/A	N/A	N/A		
1990 and 1991			N/A	N/A	N/A		
1992		N/A					
1993		N/A					
1994		N/A		N/A			
1995		N/A		N/A			
1996 to 1999		N/A		N/A			
2000		N/A		N/A			
2001 to 2007		N/A		N/A			

**Add** the amounts in column G and enter the result on line 26 in Part 2 of this form. Due to space restrictions, some years have been combined on a single row on this chart. However, to ensure a correct result, do the calculations **separately** for each year that applies to you.

**Chart 2 – Calculating lines 33 and 39 (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 <b>minus</b> 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 <b>minus</b> 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. <b>Amount from line h × [1 – (1 ÷ (2 × IR))]</b> .....	-	i
Total capital gains deduction claimed in 2001 to 2007 (line 254 of your returns for these years) .....	+	j
Total of lines a to j .....	=	k

**Note:** IR represents your inclusion rate for 2000. This rate is from line 16 in Part 4 of Schedule 3 for 2000, or from your notice of assessment or latest notice of reassessment for 2000.