



CALCULATION OF CAPITAL GAINS DEDUCTION FOR 1992 ON ALL CAPITAL PROPERTY

- Use this form if you disposed of qualified farm property or qualified small business corporation shares in 1992 or a prior year.
- If you have never disposed of this type of property, you should use Form T657A, *Calculation of Capital Gains Deduction for 1992 on Other Capital Property*. The T657A is included in the *Capital Gains Tax Guide*, or you can get one at your district office.
- If you have investment income or investment expenses in any year after 1987, you have to complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 1992*, before you complete this form. Form T936 lists what is considered to be investment income and expenses and is included in the *Capital Gains Tax Guide*. You can also get form T936 from your district office.
- You must be a resident of Canada throughout 1992 to be eligible to claim this deduction. For the purposes of this deduction, we also consider you to have been a resident throughout 1992 if, you were a resident of Canada for at least part of 1992, and you were a resident of Canada throughout 1991 or 1993.
- For the definitions of qualified farm property and qualified small business corporation shares, see Chapter 1 of the *Capital Gains Tax Guide*.

What are the capital gains deduction limits?

There is a limit to the total amount of capital gains deductions that you can claim in your lifetime. 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 are eligible to claim up to \$500,000 in capital gains deductions. Since you only include 3/4 of a capital gain in your taxable income, your lifetime cumulative capital gains deduction limit is \$375,000 (3/4 of \$500,000); or
- **any other capital properties**, you may be eligible to claim up to \$100,000 in capital gains deductions. Since you only include 3/4 of a capital gain in your taxable income, your lifetime cumulative capital gains deduction limit is \$75,000 (3/4 of \$100,000). See Chapter 5 of the *Capital Gains Tax Guide* for details.

The total of your capital gains deductions from 1985 to 1992, for **all** types of capital properties, cannot be more than your lifetime cumulative deduction limit of \$375,000.

Qualified farm property

When you dispose of qualified farm property and have a capital gain, you can claim a capital gains deduction in 1992 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1992;
- your cumulative gains limit at the end of 1992;
- your net taxable capital gains in 1992 from selling qualified farm property after 1984; and
- your maximum lifetime capital gains deduction available for 1992.

Qualified small business corporation shares

When you sell qualified small business corporation shares after **June 17, 1987**, the maximum lifetime capital gains deduction available for this type of taxable capital gain is \$375,000.

When you dispose of small business corporation shares in 1992 and have a capital gain, you can claim a capital gains deduction that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1992, **minus** any capital gains deduction for qualified farm property claimed in 1992;
- your cumulative gains limit at the end of 1992, **minus** any capital gains deduction for qualified farm property claimed in 1992;
- your net taxable capital gains in 1992 for qualified small business corporation shares; and
- your maximum lifetime capital gains deduction available for 1992.

You may have a reserve from a previous year's sale of qualified small business corporation shares. If you include this reserve in your 1992 capital gains, the taxable part of the reserve may qualify for the increased capital gains deduction. This is so only if the sale took place after June 17, 1987.

You may own shares of a qualifying small business corporation that goes public by having its shares listed on a prescribed stock exchange in Canada. In this case, there is an election available to you. The election will allow the shares to qualify for the \$500,000 capital gains deduction. The deduction will apply to any gains you had on these shares to the date the shares are listed. If you would like more information, contact your district office.

Part 1 – Annual Gains Limit for 1992

Taxable capital gain (loss) from lines 540 to 544 on schedule 3	(1)	_____	
Taxable capital gains not eligible for the capital gains deduction (amount from line (f) on form T936)	(2)	_____	
Taxable capital gains eligible for the capital gains deduction (line 1 minus line 2)		_____	▶ (3) _____
Net capital losses of other years (to calculate this amount, complete chart 1 on page 4)	(4)	_____	
Allowable business investment losses (line 217 of your 1992 return)	(5)	_____	
Total of above losses (line 4 plus line 5)		_____	▶ (6) _____
Annual gains limit for 1992 (line 3 minus line 6: if negative, enter zero)		_____	(7) _____

Part 2 – Cumulative Gains Limit for 1992

Taxable capital gains reported after 1984 and before 1992 (do not include reserves reported before 1988 other than reserves on qualified farm property disposed of after 1984)	(8)	_____	
1992 taxable capital gains eligible for the capital gains deduction (from line 3 in Part 1)	(9)	_____	
Cumulative taxable capital gains eligible for the capital gains deduction (line 8 plus line 9)		_____	▶ (10) _____
Allowable capital losses claimed in 1985 (from line 127 on your 1985 return; maximum of \$2,000)	(11)	_____	
Allowable business investment losses claimed after 1984 and before 1992 (from line 217 on your 1985 to 1991 returns)	(12)	_____	
Net capital losses of other years claimed in 1985, 1986 and 1987 (from line 253 of your 1985, 1986 and 1987 returns and Form T1A, <i>Request for Loss Carry-Back</i>)	(13)	_____	
Net capital losses of other years claimed in 1988, 1989, 1990 and 1991 (to determine this amount, complete chart 2 on page 4)	(14)	_____	
Cumulative net investment loss (line C on form T936)	(15)	_____	
Total losses used to calculate your annual gains limit (from line 6 of Part 1)	(16)	_____	
Total capital gains deductions claimed after 1984 and before 1992 (from line 254 on your 1985 to 1991 returns)	(17)	_____	
Subtotal (add lines 11 to 17 inclusive)		_____	▶ (18) _____
Cumulative gains limit for 1992 (line 10 minus line 18: if negative, enter zero)		_____	(19) _____

Part 3 – Qualified Farm Property

Complete this part if:

- you disposed of qualified farm property in 1992; or
- you are reporting a reserve in 1992 on qualified farm property you disposed of after 1984.

Maximum farm capital gains deduction for 1992	(20)	_____	\$375,000	00
Prior years capital gains deductions (to determine this amount, complete chart 3 on page 4)	(21)	_____		
Farm capital gains deduction available for 1992 (line 20 minus line 21: if negative, enter zero)	(22)	_____		
Taxable capital gains from the disposition of qualified farm property in 1992 ([line 516 on schedule 3 plus lines 373 and 377 on form T2017] x 3/4)	(23)	_____		
Taxable capital gain on disposition of "eligible capital property - Qualified farm property" in 1992 (from line 543 on schedule 3)	(24)	_____		
Total taxable capital gain on disposition of qualified farm property (line 23 plus line 24)	(25)	_____		
Capital gains deduction on qualified farm property: The maximum amount you can enter at line 26 is the least of lines 7, 19, 22 and 25; however, you may enter an amount that is less than the maximum	(26)	_____		

If you had dispositions or reserves on dispositions of qualified small business corporation shares, complete Part 4. If you had other dispositions or reserves on dispositions of other capital property in 1992, complete Part 5. Otherwise, go to Part 6.

Part 4 – Qualified Small Business Corporation Shares

Complete this part if:

- you disposed of qualified small business corporation shares in 1992; or
- you are reporting a reserve in 1992 on qualified small business corporation shares you disposed of after 1988.

Maximum small business corporation shares capital gains deduction for 1992	(27)	\$375,000	00	
Prior years capital gains deductions (to determine this amount, complete chart 3 on page 4)	(28)			
Small business corporation shares capital gains deduction available for 1992 (line 27 minus line 28; if negative, enter zero)				▶ (29)
Taxable capital gains from disposition of qualified small business corporation shares in 1992 ([line 513 on schedule 3 plus line 381 on form T2017] x 3/4)				(30)
Annual gains limit (line 7 in Part 1)	(31)			
Farm capital gains deduction (line 26 in Part 3)	(32)			
Net annual gains limit (line 31 minus line 32)				▶ (33)
Cumulative gains limit (line 19 in Part 2)	(34)			
Farm capital gains deduction (line 26 in Part 3)	(35)			
Net cumulative gains limit (line 34 minus line 35)				▶ (36)
Capital gains deduction on qualified small business corporation shares: The maximum amount you can enter at line 37 is the least of lines 29, 30, 33 and 36; however, you may enter an amount that is less than the maximum				(37)

If you had other dispositions or reserves on dispositions of other capital property in 1992, complete Part 5. Otherwise, go to Part 6.

Part 5 – Other Capital Property

Complete this part if:

- you disposed of other capital property; or
- you are reporting a reserve in 1992 on other capital property.

Maximum capital gains deduction for 1992	(38)	\$75,000	00	
Total capital gains deductions claimed after 1984 and before 1988 on other capital property only (from line 254 on your 1985 to 1987 returns)	(39)			
Adjustment of pre-1988 capital gains deductions (1/2 of amount at line 39)	(40)			
Capital gains deductions claimed in 1988 and 1989 on other capital property excluding "eligible capital property - Other" (line 254 on your 1988 and 1989 returns minus line 544 on schedule 3 for 1988 and 1989; if negative, enter zero)	(41)			
Adjustment of 1988 and 1989 capital gains deductions (1/8 of amount at line 41)	(42)			
Capital gains deductions claimed in 1988 and 1989 for "eligible capital property - Other" (not to exceed line 544 for 1988 and 1989; total of amounts at line 254 of your 1988 and 1989 returns less the amount at line 41 above)	(43)			
Total capital gains deductions claimed on other capital property only in 1990 and 1991 (from line 254 of your 1990 and 1991 returns)	(44)			
Subtotal (add lines 39 to 44 inclusive)				▶ (45)
Capital gains deduction available for 1992 (line 38 minus line 45; if negative, enter zero)				(46)
Annual gains limit (line 7 in Part 1)	(47)			
Farm and small business corporation shares capital gains deductions (line 26 in Part 3 plus line 37 in Part 4)	(48)			
Net annual gains limit (line 47 minus line 48)				▶ (49)
Cumulative gains limit (line 19 in Part 2)	(50)			
Farm and small business corporation shares capital gains deduction (line 26 in Part 3 plus line 37 in Part 4)	(51)			
Net cumulative gains limit (line 50 minus line 51)				▶ (52)
Capital gains deduction on other capital property: The maximum amount you can enter at line 53 is the least of lines 46, 49 and 52; however, you may enter an amount that is less than the maximum				(53)

Part 6 – All Capital Property

Maximum lifetime deduction on all capital property	(54)	\$375,000	00
Prior years capital gains deductions (to determine this amount, complete chart 3 on this page)	(55)		
Capital gains deduction available for 1992 (line 54 minus line 55: if negative, enter zero)	(56)		
Total of lines 26 _____, 37 _____ and 53 _____	(57)		
The maximum amount you can enter on line 58 is the lesser of lines 56 and 57; however you may enter an amount that is less than the maximum. Enter this amount on line 254 of your 1992 return	(58)		

Chart 1 – Calculation of Line 4

Net capital losses of other years (line 253 on page 2 of your 1992 return)	(I)	
Net capital losses of other years applied against taxable capital gains not eligible for the capital gains deduction (from line 7 on form T936)	(II)	
Net capital losses of other years applied against taxable capital gains eligible for the capital gains deduction (line I minus line II: if negative, enter zero)	(III)	*

*Enter the amount from line III on line 4.

Chart 2 – Calculation of Line 14

- Line A - Enter the amount of net capital losses of other years claimed for each year indicated (from line 253 of each return and Form T1A, *Request for Loss Carry-Back*).
- Line B - Enter 2/3 of the amount reported at line 395 on form T2017 for 1988 and 1989. Enter 3/4 of the amount reported at line 395 on form T2017 for 1990 and 1991.
- Line C - Subtract the amount on line B from the amount on line A for each year and enter the difference on line C. If the amount is negative, enter zero.

	1988	1989	1990	1991
A				
B				
C				

Add the amounts in C for each year and enter the result on line 14. Remember that each amount in C must be zero or a positive amount.

Chart 3 - Calculation of Lines 21, 28, and 55

Total capital gains deductions claimed after 1984 and before 1988 (from line 254 of your 1985 to 1987 returns)	(a)	
Adjustment of pre-1988 capital gains deductions (1/2 of amount at line (a))	(b)	
Capital gains deductions claimed in 1988 and 1989 excluding "eligible capital property" (line 254 of your 1988 and 1989 returns less any amounts reported at lines 543 and 544 on schedule 3 for 1988 and 1989: if negative, enter zero)	(c)	
Adjustment of 1988 and 1989 capital gains deductions (1/8 of amount at line (c))	(d)	
Capital gains deductions claimed in 1988 and 1989 for "eligible capital property" (not to exceed the total of lines 543 and 544 for 1988 and 1989; total of amounts at line 254 of your 1988 and 1989 returns less the amount at line (c) above)	(e)	
Total capital gains deductions claimed in 1990 and 1991 (from line 254 of your 1990 and 1991 returns)	(f)	
Total (add lines (a) to (f) inclusive)	(g)	