



CALCULATION OF CAPITAL GAINS DEDUCTION FOR 1993 ON ALL CAPITAL PROPERTY

- Use this form if you disposed of qualified farm property or qualified small business corporation shares in 1993 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 1993 on Other Capital Property*. Form T657A is included in the income tax guide called *Capital Gains*, or you can get one from your Revenue Canada income tax office.
- If you have investment income or investment expenses in 1993, you have to complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 1993*, before you complete this form. Form T936 lists what is considered to be investment income and expenses and is included in the income tax guide called *Capital Gains*. You can also get Form T936 from your income tax office.
- You have to be a resident of Canada throughout 1993 to be eligible to claim this deduction. For the purposes of this deduction, we also consider you to have been a resident throughout 1993 if you were a resident of Canada for at least part of 1993, and you were a resident of Canada throughout 1992 or 1994.
- For the definition of "qualified farm property," see the chapter called "Capital Gains" in the income tax guide called *Farming Income*. For a definition of "qualified small business corporation shares," see the chapter called "Definitions" in the income tax guide called *Capital Gains*.

What are the capital gains deduction limits?

There is a limit to the total amount of capital gains deductions 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 are eligible for the \$500,000 capital gains deduction. Since you only include 3/4 of a capital gain in your taxable income, your cumulative capital gains deduction is \$375,000 (3/4 of \$500,000); or
- **any other capital properties**, you are eligible for the \$100,000 capital gains deduction. Since you only include 3/4 of a capital gain in your taxable income, your cumulative capital gains deduction is \$75,000 (3/4 of \$100,000). See the chapter called "Capital Gains Deduction" in the income tax guide called *Capital Gains* for details.

The total of your capital gains deductions from 1985 to 1993 for **all** types of capital properties cannot be more than your cumulative deduction 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 1993 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1993;
- your cumulative gains limit for 1993;
- your net taxable capital gains in 1993 from dispositions of qualified farm property after 1984; and
- your maximum capital gains deduction available for 1993.

Qualified small business corporation shares

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

When you dispose of qualified small business corporation shares in 1993 and have a capital gain, you can claim a capital gains deduction in 1993 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1993, **minus** any capital gains deduction for qualified farm property claimed in 1993;
- your cumulative gains limit for 1993, **minus** any capital gains deduction for qualified farm property claimed in 1993;
- your net taxable capital gains in 1993 for qualified small business corporation shares; and
- your maximum capital gains deduction available for 1993.

You may have a reserve from a prior year's disposition of qualified small business corporation shares. If you include this reserve in your 1993 capital gains, the taxable part of the reserve may qualify for the higher capital gains deduction. This is so only if the disposition took place after June 17, 1987.

You may own shares of a qualifying small business corporation that becomes a public corporation 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 higher capital gains deduction. The deduction will apply to any gains you had on these shares to the date the shares are listed. If you need more information, contact your income tax office.

Part 1 – Calculation of annual gains limit for 1993

Total taxable capital gains from line 545 on Schedule 3	(1)	_____	
Taxable capital gains not eligible for the capital gains deduction (amount from line (d) of Chart A on Form T936)	(2)	_____	
Taxable capital gains eligible for the capital gains deduction (line 1 minus line 2; if negative, enter zero) .		_____	▶ (3) _____
Net capital losses of other years (to calculate this amount, complete Chart 1 on page 4 of this form)	(4)	_____	
Allowable business investment losses (from line 217 of your 1993 return)	(5)	_____	
Total of above losses (line 4 plus line 5)		_____	▶ (6) _____
Annual gains limit for 1993 (line 3 minus line 6; if negative, enter zero)		_____	(7) _____

If line 7 is zero, you cannot claim a capital gains deduction in 1993.

Part 2 – Calculation of cumulative gains limit for 1993

Total taxable capital gains reported after 1984 and before 1992 (from line 127 of your returns for these years; do not include reserves reported on property disposed of before 1985)	(8)	_____	
1992 taxable capital gains eligible for the capital gains deduction (from line 3 in Part 1 of Form T657 or Form T657A for 1992)	(9)	_____	
1993 taxable capital gains eligible for the capital gains deduction (from line 3 in Part 1 above)	(10)	_____	
Cumulative taxable capital gains eligible for the capital gains deduction (add lines 8 to 10 inclusive)		_____	▶ (11) _____
Allowable capital losses claimed in 1985 (from line 127 on your 1985 return; maximum of \$2,000)	(12)	_____	
Allowable business investment losses claimed after 1984 and before 1993 (from line 217 on your 1985 to 1992 returns)	(13)	_____	
Net capital losses of other years claimed after 1984 and before 1993 (to calculate this amount, complete Chart 2 on page 4 of this form)	(14)	_____	
Total losses used to calculate your annual gains limit for 1993 (from line 6 of Part 1 above)	(15)	_____	
Cumulative net investment loss to December 31, 1993 (from line (C) of Part 3 or (D) of Part 4 on Form T936). If you did not complete Form T936 for 1993, enter your cumulative net investment loss, if any, from your 1992 <i>Notice of Assessment or Reassessment</i>	(16)	_____	
Total capital gains deductions claimed after 1984 and before 1993 (from line 254 on your 1985 to 1992 returns)	(17)	_____	
Subtotal (add lines 12 to 17 inclusive)		_____	▶ (18) _____
Cumulative gains limit for 1993 (line 11 minus line 18; if negative, enter zero)		_____	(19) _____

If line 19 is zero, you cannot claim a capital gains deduction in 1993.

Part 3 – Qualified farm property

Complete this part if:

- you disposed of qualified farm property in 1993; or
- you are reporting a reserve in 1993 on qualified farm property you disposed of after 1984.

Maximum qualified farm property capital gains deduction for 1993	(20)	\$375,000	00
Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form)	(21)	_____	_____
Qualified farm property capital gains deduction available for 1993 (line 20 minus line 21; if negative, enter zero)		_____	▶ (22) _____
Taxable capital gains from the disposition of qualified farm property in 1993 [(line 516 on Schedule 3 plus lines 373 and 377 on Form T2017] x 3/4)	(23)	_____	
Taxable capital gains on the disposition of "eligible capital property - qualified farm property" in 1993 (from line 543 on Schedule 3)	(24)	_____	
Total taxable capital gains on disposition of qualified farm property (line 23 plus line 24)		_____	▶ (25) _____

Capital gains deduction on qualified farm property:
The maximum amount that you can enter on 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 the dispositions of qualified small business corporation shares, complete Part 4. If you had other dispositions or reserves on the dispositions of other capital property in 1993, 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 1993; or
- you are reporting a reserve in 1993 on qualified small business corporation shares you disposed of after June 17, 1987.

Maximum qualified small business corporation shares capital gains deduction for 1993	(27)	\$375,000 00
Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form)	(28)	_____ _____
Qualified small business corporation shares capital gains deduction available for 1993 (line 27 minus line 28; if negative, enter zero)		▶(29) _____ _____
Taxable capital gains from the disposition of qualified small business corporation shares in 1993 ((line 513 on Schedule 3 plus line 381 on Form T2017} x 3/4)		(30) _____ _____
Annual gains limit (from line 7 in Part 1 of this form)	(31)	_____ _____
Qualified farm property capital gains deduction (from line 26 in Part 3 of this form)	(32)	_____ _____
Net annual gains limit (line 31 minus line 32)		▶(33) _____ _____
Cumulative gains limit (from line 19 in Part 2 of this form)	(34)	_____ _____
Qualified farm property capital gains deduction (from line 26 in Part 3 of this form)	(35)	_____ _____
Net cumulative gains limit (line 34 minus line 35)		▶(36) _____ _____

Capital gains deduction on qualified small business corporation shares:

The maximum amount that you can enter on 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 the dispositions of other capital property in 1993, complete Part 5. Otherwise, go to Part 6.

Part 5 – Other capital property

Complete this part if:

- you disposed of other capital property in 1993; or
- you are reporting a reserve in 1993 on other capital property.

Maximum capital gains deduction for 1993	(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 on line 39)	(40)	_____ _____
Capital gains deductions claimed in 1988 and 1989 on other capital property excluding "eligible capital property - other" (from 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 on line 41)	(42)	_____ _____
Capital gains deductions claimed in 1988 and 1989 for "eligible capital property - other" (from line 254 of your 1988 and 1989 returns minus the amount on line 41 above; not to exceed line 544 on Schedule 3 for 1988 and 1989)	(43)	_____ _____
Total capital gains deductions claimed on other capital property only in 1990, 1991, and 1992 (from line 254 on your 1990, 1991, and 1992 returns)	(44)	_____ _____
Subtotal (add lines 39 to 44 inclusive)		▶(45) _____ _____
Capital gains deduction available for 1993 (line 38 minus line 45; if negative, enter zero)		(46) _____ _____
Annual gains limit (line 7 in Part 1 of this form)	(47)	_____ _____
Qualified farm property and qualified small business corporation shares capital gains deductions (line 26 in Part 3 of this form plus line 37 in Part 4 of this form)	(48)	_____ _____
Net annual gains limit (line 47 minus line 48)		▶(49) _____ _____
Cumulative gains limit (line 19 in Part 2 of this form)	(50)	_____ _____
Qualified farm property and qualified small business corporation shares capital gains deductions (line 26 in Part 3 of this form plus line 37 in Part 4 of this form)	(51)	_____ _____
Net cumulative gains limit (line 50 minus line 51)		▶(52) _____ _____

Capital gains deduction on other capital property:

The maximum amount you can enter on 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 capital gains 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 1993 (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 1993 return.**

(58) _____

Chart 1 – Calculation of line 4

Net capital losses of other years claimed in 1993 (from line 253 of your 1993 return)	(I)	_____	
Net capital losses of other years applied against taxable capital gains in 1993 not eligible for the capital gains deduction (from line 7, Part 1, Form T936 for 1993)	(II)	_____	
Net capital losses of other years used to calculate your annual gains limit (line I minus line II; if negative, enter zero)	(III)	_____	*

*Enter the amount from line III on line 4 of Part 1 of this form.

Chart 2 – Calculation of line 14

- Line A - Enter the amount of net capital losses of other years claimed for each year indicated (amount from line 253 of each return and Form T1A, *Request for Loss Carry-Back*).
- Line B - Enter 1/2 of reserves included in capital gains in 1985, 1986, and 1987 for capital property disposed of before 1985 (1/2 of the amounts reported on your Schedule 3 for 1985, 1986, and 1987).
Enter 2/3 of reserves included in capital gains in 1988 and 1989 for capital property disposed of before 1985 (2/3 of the amount reported on line 395 of Form T2017 for 1988 and 1989).
Enter 3/4 of reserves included in capital gains in 1990, 1991, and 1992 for capital property disposed of before 1985 (3/4 of the amount reported on line 395 of Form T2017 for 1990, 1991, and 1992).
- Line C - Enter 3/4 of capital gains not eligible for capital gains deduction for 1992 (3/4 of the amount on line 536 of Schedule 3 for 1992).
- Line D - Add lines B and C.
- Line E - Subtract the amount on line D from the amount on line A for each year, and enter the difference on line E. If the amount is negative, enter zero.

	1985	1986	1987	1988	1989	1990	1991	1992
A								
B								
C	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
D								
E								

Add the amounts in E and enter the result on line 14 of Part 2 of this form. Remember that each amount in E has to 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 on line (a))	(b)	_____	
Capital gains deductions claimed in 1988 and 1989 excluding "eligible capital property" (from 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 zero)	(c)	_____	
Adjustment of 1988 and 1989 capital gains deductions (1/8 of amount on line (c))	(d)	_____	
Capital gains deductions claimed in 1988 and 1989 for "eligible capital property" (from line 254 of your 1988 and 1989 returns minus the amount on line (c) above; not to exceed the total of lines 543 and 544 on Schedule 3 for 1988 and 1989)	(e)	_____	
Total capital gains deductions claimed in 1990, 1991, and 1992 (from line 254 of your 1990, 1991, and 1992 returns)	(f)	_____	
Total (add lines (a) to (f) inclusive)	(g)	_____	