



## CALCULATION OF CAPITAL GAINS DEDUCTION FOR 1994 ON ALL CAPITAL PROPERTY

- Use this form if you disposed of qualified farm property or qualified small business corporation shares in 1994 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 1994 on Other Capital Property*. You should also use Form T657A if you have never disposed of this type of property and you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*, for qualified farm property or qualified small business corporation shares. Form T657A is included in the income tax guide called *Capital Gains*, or you can get this form from your Revenue Canada income tax office.
- If you have investment income or investment expenses in 1994, you should complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 1994*, 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 1994 to be eligible to claim this deduction. For the purposes of this deduction, we also consider you to be a resident throughout 1994 if you were a resident of Canada for at least part of 1994, and you were a resident of Canada throughout 1993 or 1995.
- 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 exemption. Since you only include three-quarters of a capital gain in your taxable income, your cumulative capital gains deduction is \$375,000 (three-quarters of \$500,000); or
- **any other capital properties**, you are eligible for the \$100,000 capital gains exemption. Since you only include three-quarters of a capital gain in your taxable income, your cumulative capital gains deduction is \$75,000 (three-quarters 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 1994 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 1994 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1994;
- your cumulative gains limit for 1994;
- your net taxable capital gains in 1994, from dispositions of qualified farm property after 1984; and
- your maximum capital gains deduction available for 1994.

### 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 1994 and have a capital gain, you can claim a capital gains deduction in 1994 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1994, **minus** any capital gains deduction for qualified farm property claimed in 1994;
- your cumulative gains limit for 1994, **minus** any capital gains deduction for qualified farm property claimed in 1994;
- your net taxable capital gains in 1994 for qualified small business corporation shares; and
- your maximum capital gains deduction available for 1994.

You may have a reserve from a prior year's disposition of qualified small business corporation shares. If you include this reserve in your 1994 capital gains, the taxable part of the reserve may qualify for the \$375,000 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 \$375,000 capital gains deduction. The deduction will apply to any gains you had on these shares to the date the shares are listed. If you need more information, contact your income tax office.

### Part 1 – Calculating your annual gains limit for 1994

|   |       |     |
|---|-------|-----|
| Total taxable capital gains (or losses) from line 547 in Part 2 of Schedule 3. (if the amount is a loss, show it in brackets)   | _____ | (1) |
| Non-eligible taxable capital gains (or losses) from line (c) in Chart A of Form T936 for 1994.  | _____ | (2) |
| Eligible taxable capital gains (or losses) (if the amount on line 2 is a gain, <b>subtract</b> it from line 1. If the amount on line 2 is a loss, <b>remove its brackets and add it</b> to line 1. If the result is negative, enter zero. If there is no amount on line 2, enter on this line the amount from line 1; if negative, enter zero.) | _____ | (3) |
| Total taxable capital gains (or net capital losses) from line 044 in Part 4 of Schedule 3 (if the amount is a loss, enter zero)   | _____ | (4) |
| 1994 eligible taxable capital gains (enter the lesser of the amounts on lines 3 and 4. If line 5 is zero, you cannot claim a capital gains deduction for 1994.)   | _____ | (5) |
| Net capital losses of other years (to calculate this amount, complete Chart 1 on page 4 of this form)   | _____ | (6) |
| Allowable business investment losses (from line 217 of your 1994 return)  | _____ | (7) |
| Total of above losses (line 6 plus line 7)  | _____ | (8) |
| <b>Annual gains limit for 1994</b> (line 5 minus line 8. If negative, enter zero)   | _____ | (9) |

If line 9 is zero, you cannot claim a capital gains deduction for 1994.

### Part 2 – Calculating your cumulative gains limit for 1994

|  |       |      |
|--|-------|------|
| 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.)   | _____ | (10) |
| 1992 and 1993 taxable capital gains eligible for the capital gains deduction (from line 3 in Part 1 of Form T657 or T657A for 1992 and 1993)   | _____ | (11) |
| 1994 eligible taxable capital gains (from line 5 in Part 1 above)  | _____ | (12) |
| Cumulative eligible taxable capital gains (add lines 10 to 12 inclusive)   | _____ | (13) |
| Allowable capital losses claimed in 1985 (from line 127 on your 1985 return; maximum of \$2,000)   | _____ | (14) |
| Allowable business investment losses claimed after 1984 and before 1994 (from line 217 on your 1985 to 1993 returns).  | _____ | (15) |
| Net capital losses of other years claimed after 1984 and before 1994 (to calculate this amount, complete Chart 2 on page 4 of this form)   | _____ | (16) |
| Total losses used to calculate your annual gains limit for 1994 (from line 8 of Part 1 above).   | _____ | (17) |
| Cumulative net investment loss to December 31, 1994 (from line (C) in Part 3, or line (D) in Part 4 of Form T936 for 1994). If you did not complete Form T936 for 1994, enter your cumulative net investment loss, if any, from your 1993 <i>Notice of Assessment</i> or <i>Notice of Reassessment</i> . | _____ | (18) |
| Total capital gains deductions claimed after 1984 and before 1994 (from line 254 on your 1985 to 1993 returns)   | _____ | (19) |
| Subtotal (add lines 14 to 19 inclusive)  | _____ | (20) |
| <b>Cumulative gains limit for 1994</b> (line 13 minus line 20. If negative, enter zero.)   | _____ | (21) |

If line 21 is zero, you cannot claim a capital gains deduction for 1994.

### Part 3 – Qualified farm property

Complete this part if:

- you disposed of qualified farm property in 1994; or
- you are reporting a reserve in 1994 on qualified farm property you disposed of after 1984.

If you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*, for qualified farm property, complete Part 5 for the elective disposition.

|  |              |      |
|--|--------------|------|
| Maximum qualified farm property capital gains deduction for 1994   | \$375,000 00 | (22) |
| Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form)   | _____        | (23) |
| Qualified farm property capital gains deduction available for 1994 (line 22 minus line 23. If negative, enter zero.)   | _____        | (24) |
| Taxable capital gains from the disposition of qualified farm property in 1994 ((line 516 in Part 1 of Schedule 3 plus lines 370 and 377 of Form T2017) × 3/4)  | _____        | (25) |
| Taxable capital gains on the disposition of "eligible capital property – qualified farm property" in 1994 (from line 543 in Part 2 of Schedule 3)  | _____        | (26) |
| Total taxable capital gains on disposition of qualified farm property (line 25 plus line 26)   | _____        | (27) |
| <b>Capital gains deduction on qualified farm property</b><br>The maximum amount that you can enter on line 28 is the least of lines 9, 21, 24, and 27. However, you may enter an amount that is less than the maximum. | _____        | (28) |

If you had dispositions or reserves on the dispositions of qualified small business corporation shares, complete Part 4. If you had other dispositions, including the above-mentioned elective disposition, or reserves on the dispositions of other capital property in 1994, 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 1994; or
- you are reporting a reserve in 1994 on qualified small business corporation shares you disposed of after June 17, 1987.

If you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*, for qualified small business corporation shares, complete Part 5 for the elective disposition.

|  |                |          |
|--|----------------|----------|
| Maximum qualified small business corporation shares capital gains deduction for 1994 .....   | \$375,000   00 | (29)     |
| Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form) .....   |                | (30)     |
| Qualified small business corporation shares capital gains deduction available for 1994 (line 29 minus line 30. If negative, enter zero.) .....   |                | ▶   (31) |
| Taxable capital gains from the disposition of qualified small business corporation shares in 1994<br>((line 513 in Part 1 of Schedule 3 plus line 381 of Form T2017) × 3/4) .....  |                | (32)     |
| Annual gains limit (from line 9 in Part 1 of this form) .....  |                | (33)     |
| Capital gains deduction on qualified farm property (from line 28 in Part 3 of this form) .....   |                | (34)     |
| Net annual gains limit (line 33 minus line 34) .....   |                | ▶   (35) |
| Cumulative gains limit (from line 21 in Part 2 of this form) .....   |                | (36)     |
| Capital gains deduction on qualified farm property (from line 28 in Part 3 of this form) .....   |                | (37)     |
| Net cumulative gains limit (line 36 minus line 37) .....   |                | ▶   (38) |
| <b>Capital gains deduction on qualified small business corporation shares</b><br>The maximum amount that you can enter on line 39 is the least of lines 31, 32, 35, and 38. However, you may enter an amount that is less than the maximum. .... |                | (39)     |

If you had other dispositions, including the above-mentioned elective disposition, or reserves on the dispositions of other capital property in 1994, complete Part 5. Otherwise, go to Part 6.

### Part 5 – Other capital property

Complete this part if:

- you disposed of other capital property in 1994;
- you are reporting a reserve in 1994 on other capital property; or
- you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*.

|   |               |          |
|---|---------------|----------|
| Maximum capital gains deduction for 1994 .....  | \$75,000   00 | (40)     |
| Total capital gains deductions claimed after 1984 and before 1988 on <b>other capital property</b> only (from line 254 on your 1985 to 1987 returns) .....  |               | (41)     |
| Adjustment of pre-1988 capital gains deductions (1/2 of amount at line 41) .....  |               | (42)     |
| Capital gains deductions claimed in 1988 and 1989 on <b>other capital property</b> 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.) ..... |               | (43)     |
| Adjustment of 1988 and 1989 capital gains deductions (1/8 of amount at line 43) .....   |               | (44)     |
| 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 at line 43 above; not to exceed line 544 on Schedule 3 for 1988 and 1989) .....                       |               | (45)     |
| Total capital gains deductions claimed on <b>other capital property</b> only in 1990, 1991, 1992, and 1993 (from line 254 on your 1990, 1991, 1992, and 1993 returns) .....   |               | (46)     |
| Subtotal (add lines 41 to 46 inclusive) .....   |               | ▶   (47) |
| Capital gains deduction available for 1994 (line 40 minus line 47. If negative, enter zero.) .....  |               | (48)     |
| Annual gains limit (line 9 in Part 1 of this form) .....  |               | (49)     |
| Capital gains deduction on qualified farm property and qualified small business corporation shares (line 28 in Part 3 of this form plus line 39 in Part 4 of this form) .....   |               | (50)     |
| Net annual gains limit (line 49 minus line 50) .....  |               | ▶   (51) |
| Cumulative gains limit (line 21 in Part 2 of this form) .....   |               | (52)     |
| Capital gains deduction on qualified farm property and qualified small business corporation shares (line 28 in Part 3 of this form plus line 39 in Part 4 of this form) .....   |               | (53)     |
| Net cumulative gains limit (line 52 minus line 53) .....  |               | ▶   (54) |
| <b>Capital gains deduction on other capital property</b><br>The maximum amount that you can enter on line 55 is the least of lines 48, 51, and 54. However, you may enter an amount that is less than the maximum. ....                                       |               | (55)     |

## Part 6 – All capital property

Maximum capital gains deduction on all capital property ..... \$375,000<sup>00</sup> (56)

Prior years capital gains deductions (to determine this amount complete Chart 3 on this page) ..... \_\_\_\_\_ (57)

Capital gains deduction available for 1994 (line 56 minus line 57. If negative, enter zero.) ..... \_\_\_\_\_ (58)

Total of line 28 \_\_\_\_\_, 39 \_\_\_\_\_, and 55 \_\_\_\_\_ ..... \_\_\_\_\_ (59)

The maximum amount you can enter on line 60 is the lesser of lines 58 and 59. However, you may enter an amount that is less than the maximum.  
**Enter this amount on line 254 of your 1994 return** ..... \_\_\_\_\_ (60)

## Chart 1 – Calculating line 6

Net capital losses of other years claimed in 1994 (from line 253 of your 1994 return) ..... \_\_\_\_\_ (I)

Net capital losses of other years applied against net non-eligible taxable capital gains in 1994 (from line 7 in Part 1 of Form T936 for 1994) ..... \_\_\_\_\_ (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 6 of Part 1 of this form.

## Chart 2 – Calculating line 16

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 and 1991 for capital property disposed of before 1985 (3/4 of the amount reported on line 395 of Form T2017 for 1990 and 1991).

Line 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.

Line D – Enter the amount from line (k) in Part B of Form T936 for 1992 and the amount from line (k) in Chart B of Form T936 for 1993.

Line E – Subtract line D from line C. If the amount is negative, enter zero.

Line F – Add lines B and E.

Line G – Subtract the amount on line F from the amount on line A for each year. If the amount is negative, enter zero.

|          | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|----------|------|------|------|------|------|------|------|------|------|
| <b>A</b> |      |      |      |      |      |      |      |      |      |
| <b>B</b> |      |      |      |      |      |      |      | N/A  | N/A  |
| <b>C</b> | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |      |      |
| <b>D</b> | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |      |      |
| <b>E</b> | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  | N/A  |      |      |
| <b>F</b> |      |      |      |      |      |      |      |      |      |
| <b>G</b> |      |      |      |      |      |      |      |      |      |

Add the amounts on line G and enter the result on line 16 of Part 2. Remember that each amount in G must be zero or a positive amount.

## Chart 3 – Calculating lines 23, 30, and 57

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" (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 at 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 at 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, 1992, and 1993 (from line 254 of your returns for those years) ..... \_\_\_\_\_ (f)

Total (add lines (a) to (f) inclusive) ..... \_\_\_\_\_ (g)