

## CALCULATION OF CAPITAL GAINS DEDUCTION FOR 1995 ON ALL CAPITAL PROPERTY

- Use this form if you disposed of qualified farm property or qualified small business corporation shares in 1995 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 1995 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 eligible capital property that is qualified farm property. Form T657A is included in the income tax guide called *Capital Gains*, or you can get this form from your Revenue Canada tax services office.
- If you have investment income or investment expenses in 1995, you should complete Form T936, *Calculation of Cumulative Net Investment Loss (CNIL) to December 31, 1995*, 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 tax services office.
- You have to be a resident of Canada throughout 1995 to be eligible to claim this deduction. For the purposes of this deduction, we also consider you to be a resident throughout 1995 if you were a resident of Canada for at least part of 1995, and you were a resident of Canada throughout 1994 or 1996.
- For the definition of **qualified farm property**, see the chapter called "Capital Gains" in the income tax guide called *Farming Income*. For the 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 may be 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
- other capital properties, you **may** be 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 Part 5 of this form and Chapter 7 in the income tax guide called *Capital Gains* for details.

The total of your capital gains deductions from 1985 to 1995 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 1995 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1995;
- your cumulative gains limit for 1995;
- your net taxable capital gains in 1995, from dispositions of qualified farm property after 1984; and
- your maximum capital gains deduction available for 1995.

### 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 1995 that is equal to the **lowest** of the following amounts:

- your annual gains limit for 1995, minus any capital gains deduction for qualified farm property claimed in 1995;
- your cumulative gains limit for 1995, minus any capital gains deduction for qualified farm property claimed in 1995;
- your net taxable capital gains in 1995 from dispositions of qualified small business corporation shares after June 17, 1987; and
- your maximum capital gains deduction available for 1995.

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 us.

### Part 1 – Calculating your annual gains limit for 1995

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)
Farming income eligible for the capital gains deduction (from line 529 on Schedule 3) . . . . .	_____	(2)
Eligible taxable capital gains (or losses) (line 1 plus line 2. If negative, enter zero) . . . . .	_____	(3)
Total taxable capital gains (or net capital losses) from line 044 in Part 3 of Schedule 3 (if the amount is a loss, show it in brackets) . . . . .	_____	(4)
Farming income eligible for the capital gains deduction (from line 529 on Schedule 3) . . . . .	_____	(5)
Line 4 plus line 5 (if the amount is a loss, enter zero) . . . . .	_____	(6)
1995 eligible taxable capital gains (enter the lesser of the amounts on lines 3 and 6. If line 7 is zero, you cannot claim a capital gains deduction for 1995.) . . . . .	_____	(7)
Net capital losses of other years (to calculate this amount, complete Chart 1 on page 4 of this form) . . . . .	_____	(8)
Allowable business investment losses (from line 217 of your 1995 return) . . . . .	_____	(9)
Line 8 plus line 9 . . . . .	_____	(10)
<b>Annual gains limit for 1995</b> (line 7 minus line 10. If negative, enter zero) . . . . .	_____	(11)

If line 11 is zero, you cannot claim a capital gains deduction for 1995.

### Part 2 – Calculating your cumulative gains limit for 1995

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.) . . . . .	_____	(12)
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) . . . . .	_____	(13)
1994 eligible taxable capital gains (from line 5 in Part 1 of Form T657 or T657A for 1994) . . . . .	_____	(14)
1995 eligible taxable capital gains (from line 7 in Part 1 above) . . . . .	_____	(15)
Cumulative eligible taxable capital gains (add lines 12 to 15 inclusive) . . . . .	_____	(16)
Allowable capital losses claimed in 1985 (from line 127 on your 1985 return; maximum of \$2,000) . . . . .	_____	(17)
Allowable business investment losses claimed after 1984 and before 1995 (from line 217 on your 1985 to 1994 returns). . . . .	_____	(18)
Net capital losses of other years claimed after 1984 and before 1995 (to calculate this amount, complete Chart 2 on page 4 of this form) . . . . .	_____	(19)
Total losses used to calculate your annual gains limit for 1995 (from line 10 of Part 1 above). . . . .	_____	(20)
Cumulative net investment loss to December 31, 1995 (from line (C) in Part 3 of Form T936 for 1995) . . . . .	_____	(21)
Total capital gains deductions claimed after 1984 and before 1995 (from line 254 on your 1985 to 1994 returns) . . . . .	_____	(22)
Subtotal (add lines 17 to 22 inclusive) . . . . .	_____	(23)
<b>Cumulative gains limit for 1995</b> (line 16 minus line 23. If negative, enter zero.) . . . . .	_____	(24)

If line 24 is zero, you cannot claim a capital gains deduction for 1995.

### Part 3 – Qualified farm property

Complete this part if:

- you disposed of qualified farm property in 1995; or
- you are reporting a reserve in 1995 on qualified farm property you disposed of after 1984.

If, for the 1995 taxation year, you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*, for eligible capital property that is qualified farm property, complete Part 5 for the elective disposition.

Maximum capital gains deduction for qualified farm property for 1995 . . . . .	\$375,000 00	(25)
Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form) . . . . .	_____	(26)
Capital gains deduction available for qualified farm property for 1995 (line 25 minus line 26. If negative, enter zero.) . . . . .	_____	(27)
Taxable capital gains from the disposition of qualified farm property in 1995 ((line 516 in Part 2 of Schedule 3 plus line 377 of Form T2017) x 3/4). . . . .	_____	(28)
Taxable capital gains from the disposition of eligible capital property (qualified farm property) in 1995 (from line 543 in Part 2 of Schedule 3) . . . . .	_____	(29)
Farming income eligible for the capital gains deduction (from line 529 on Schedule 3) . . . . .	_____	(30)
Total taxable capital gains from the disposition of qualified farm property (add lines 28, 29, and 30) . . . . .	_____	(31)
<b>Capital gains deduction on qualified farm property</b> The maximum amount that you can enter on line 32 is the least of lines 11, 24, 27, and 31. However, you may enter an amount that is less than the maximum. . . . .	_____	(32)

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 1995, 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 1995; or
- you are reporting a reserve in 1995 on qualified small business corporation shares you disposed of after June 17, 1987.

Maximum capital gains deduction for qualified small business corporation shares for 1995 .....	\$375,000   00	(33)	
Prior years capital gains deductions (to determine this amount, complete Chart 3 on page 4 of this form) .....	_____   _____	(34)	
Capital gains deduction available for qualified small business corporation shares for 1995 (line 33 minus line 34. If negative, enter zero.) .....	_____   _____	▶	_____   _____ (35)
Taxable capital gains from the disposition of qualified small business corporation shares in 1995 ((line 513 in Part 2 of Schedule 3 plus line 381 of Form T2017) × 3/4) .....	_____   _____		_____   _____ (36)
Annual gains limit (from line 11 in Part 1 of this form) .....	_____   _____	(37)	
Capital gains deduction on qualified farm property (from line 32 in Part 3 of this form) .....	_____   _____	(38)	
Net annual gains limit (line 37 minus line 38) .....	_____   _____	▶	_____   _____ (39)
Cumulative gains limit (from line 24 in Part 2 of this form) .....	_____   _____	(40)	
Capital gains deduction on qualified farm property (from line 32 in Part 3 of this form) .....	_____   _____	(41)	
Net cumulative gains limit (line 40 minus line 41) .....	_____   _____	▶	_____   _____ (42)
<b>Capital gains deduction on qualified small business corporation shares</b> The maximum amount that you can enter on line 43 is the least of lines 35, 36, 39, and 42. However, you may enter an amount that is less than the maximum. ....	_____   _____		_____   _____ (43)

If you had other dispositions or reserves on the dispositions of other capital property in 1995, complete Part 5. Otherwise, go to Part 6.

## Part 5 – Other capital property

Complete this part if:

- you are reporting an amount in 1995 at line 532, 533, 544, or 546 in Part 2 of Schedule 3;
- you are reporting an amount in 1995 at line 391 in Part 2 of Form T2017; or
- you filed Form T664, *Election to Report a Capital Gain on Property Owned at the End of February 22, 1994*, for eligible capital property for the 1995 taxation year.

Maximum capital gains deduction for 1995 .....	\$75,000   00	(44)	
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) .....	_____   _____	(45)	
Adjustment of pre-1988 capital gains deductions (1/2 of amount at line 45) .....	_____   _____	(46)	
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.) .....	_____   _____	(47)	
Adjustment of 1988 and 1989 capital gains deductions (1/8 of amount at line 47) .....	_____   _____	(48)	
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 47 above; not to exceed line 544 on Schedule 3 for 1988 and 1989) .....	_____   _____	(49)	
Total capital gains deductions claimed on <b>other capital property</b> only in 1990, 1991, 1992, 1993, and 1994 (from line 254 of your returns for these years) .....	_____   _____	(50)	
Subtotal (add lines 45 to 50 inclusive) .....	_____   _____	▶	_____   _____ (51)
Capital gains deduction available for 1995 (line 44 minus line 51. If negative, enter zero.) .....	_____   _____		_____   _____ (52)
Annual gains limit (from line 11 in Part 1 of this form) .....	_____   _____	(53)	
Capital gains deduction on qualified farm property and qualified small business corporation shares (line 32 in Part 3 of this form plus line 43 in Part 4 of this form) .....	_____   _____	(54)	
Net annual gains limit (line 53 minus line 54) .....	_____   _____	▶	_____   _____ (55)
Cumulative gains limit (from line 24 in Part 2 of this form) .....	_____   _____	(56)	
Capital gains deduction on qualified farm property and qualified small business corporation shares (line 32 in Part 3 of this form plus line 43 in Part 4 of this form) .....	_____   _____	(57)	
Net cumulative gains limit (line 56 minus line 57) .....	_____   _____	▶	_____   _____ (58)
<b>Capital gains deduction on other capital property</b> The maximum amount that you can enter on line 59 is the least of lines 52, 55, and 58. However, you may enter an amount that is less than the maximum. ....	_____   _____		_____   _____ (59)

**Part 6 – All capital property**

Maximum capital gains deduction on all capital property ..... \$375,000|00 (60)

Prior years capital gains deductions (to determine this amount complete Chart 3 on this page) ..... \_\_\_\_\_ (61)

Capital gains deduction available for 1995 (line 60 minus line 61. If negative, enter zero.) ..... \_\_\_\_\_ (62)

Total of lines 32 \_\_\_\_\_, 43 \_\_\_\_\_, and 59 \_\_\_\_\_ ..... \_\_\_\_\_ (63)

The maximum amount you can enter on line 64 is the lesser of lines 62 and 63. However, you may enter an amount that is less than the maximum.  
**Enter this amount on line 254 of your 1995 return** ..... \_\_\_\_\_ (64)

**Chart 1 – Calculating line 8**

Net capital losses of other years claimed in 1995 (from line 253 of your 1995 return) ..... \_\_\_\_\_ (I)

Net capital losses of other years applied against net non-eligible taxable capital gains in 1995 (from line 7 in Part 1 of Form T936 for 1995) ..... \_\_\_\_\_ (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 above on line 8 of Part 1 of this form.

**Chart 2 – Calculating line 19**

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 those reserves 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.  
 For 1994, enter the amount from line (p) in Chart B of Form T936 for 1994.

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	1994
A										
B								N/A	N/A	N/A
C	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
D	N/A	N/A	N/A	N/A	N/A	N/A	N/A			N/A
E	N/A	N/A	N/A	N/A	N/A	N/A	N/A			
F										
G										

Add the amounts on line G and enter the result on line 19 of Part 2. Remember that each amount in G must be zero or a positive amount.

**Chart 3 – Calculating lines 26, 34, and 61**

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, 1993, and 1994 (from line 254 of your returns for these years) ..... \_\_\_\_\_ (f)

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