

**CALCULATION OF PARTS IV.1 AND VI.1 TAXES
(2003 and later taxation years)**

Name of corporation	Business Number	Taxation year-end Year Month Day
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- Use this schedule to calculate a corporation's Part IV.1 tax for dividends received on taxable preferred shares and taxable RFI shares, and its Part VI.1 tax for dividends paid on short-term preferred shares and taxable preferred shares.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- "Restricted Financial Institution," "taxable RFI shares," "taxable preferred shares," and "short-term preferred shares" are terms defined in subsection 248(1).
- If Part IV.1 or VI.1 taxes are payable, file one completed copy of this schedule with the corporation's T2 return no later than six months after the end of the taxation year.
- For corporations without taxable income that have Part IV.1 or VI.1 taxes payable, and that have a permanent establishment in more than one jurisdiction, complete columns B and D in Part 1 of Schedule 5.
- For the purpose of Part IV.1 tax, an excepted dividend is a dividend as described in section 187.1 and subsections 191(4) and 191(5).
- For the purpose of Part VI.1 tax, an excluded dividend is a dividend as described in subsections 191(1), 191(4), and 191(5).
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Calculation of dividend allowance

Basic dividend allowance	\$500,000	A
Minus:		
Taxable dividends (other than excluded dividends) paid in the calendar year immediately preceding the calendar year in which the taxation year ended. These dividends are on taxable preferred shares or shares that would be taxable preferred shares if they were issued after June 18, 1987, and were not grandfathered shares (see point 1 in Part 2 below)		
B	\$1,000,000	C
Excess (amount B minus amount C) (if negative, enter "0")	110	D
Dividend allowance (amount A minus amount D) (if negative, enter "0")	115	E

Part 2 – Agreement among associated corporations to allocate the dividend allowance

Date filed (do not use this area)	116	Year	Month	Day
Is this an amended agreement?	117	1 Yes <input type="checkbox"/>	2 No <input type="checkbox"/>	
Calendar year to which the agreement applies	118	Year		

1. Enter the total of non-excluded dividends paid by all associated corporations at line B above.
2. Allocate the dividend allowance (amount E above) among associated corporations, as indicated below.
3. Apply the special rules provided under paragraph 191.1(6)(b) if a corporation has two or more taxation years ending in the same calendar year during which it is associated with another taxable Canadian corporation that has a taxation year ending in that calendar year.
4. If an associated corporation has more than one taxation year ending in a calendar year, it has to file an agreement for each of these taxation years.

Allocation of dividend allowance

Names of associated corporations	Business Number (If a corporation is not registered, enter "NR.")	Dividend allowance allocated	Taxation year-end to which agreement applies * (YYYY/MM/DD)
120	130	140	150
1.			
2.			
3.			
4.			
5.			

Total (cannot be more than amount E)
If you need more space, please use a separate sheet of paper.

* Only complete this column if there is more than one taxation year ending in a calendar year.

Part 3 – Calculation of Part VI.1 tax payable

Complete the calculation of the dividend allowance in Part 1.

Dividend allowance: amount at line 115 (from Part 1) or, if associated, the amount allocated at line 140 (from Part 2) **210** _____ F

Note: If the taxation year is less than 51 weeks, prorate the dividend allowance based on the number of days in the taxation year divided by 365. Enter this amount at line 210 instead of the amount from line 115 or 140.

1) Taxable dividends (other than excluded dividends) paid by the corporation in the year on short-term preferred shares **220** _____ G

Deduct:

Amount F or G, whichever is less _____ H
 50% x _____ I = _____ J

2) Taxable dividends (other than excluded dividends) paid by the corporation in the year on taxable preferred shares (other than short-term preferred shares) of all classes for which the corporation made an election under subsection 191.2(1) **230** _____ K

Deduct:

Dividend allowance (amount F) _____ L
 Amount H _____ M
 Net amount (amount L minus amount M) _____ N
 Amount K or N, whichever is less _____ O
 40% x _____ P = _____ Q

3) Taxable dividends (other than excluded dividends) paid by the corporation in the year on taxable preferred shares (other than short-term preferred shares) of all classes for which the corporation **did not** make an election under subsection 191.2(1) **240** _____ R

Deduct:

Dividend allowance (amount F) _____ S
 Amount H _____ T
 Amount O _____ U
 Subtotal (amount T plus amount U) _____ V
 Net amount (amount S minus amount V) _____ W
 Amount R or W, whichever is less _____ X
 25% x _____ Y = _____ Z

4) Complete this calculation if the corporation has made an agreement under section 191.3 to pay all or part of a related corporation's Part VI.1 tax otherwise payable for the year (complete and file Schedule 45).

Part VI.1 tax transferred from related corporation **250** _____ AA
 Subtotal (add amounts J, Q, Z, and AA) _____ BB

Less: Part VI.1 tax transferred to related corporation **260** _____ CC

Part VI.1 tax payable (amount BB minus amount CC) **270** _____ DD

Enter amount DD on line 724 of the T2 return.

Note: Part VI.1 tax payable has the same instalment requirements and balance due date as Part I tax payable.

Part 4 – Calculation of Part IV.1 tax payable

This tax does not apply to dividends received by financial intermediary corporations or corporations that were private corporations, at the time the dividends were received.

Taxable dividends (other than excepted dividends) received in the year on taxable preferred shares [other than a share of a class for which the corporation has made an election under subsection 191.2(1)] **310** _____ EE

Taxable dividends (other than excepted dividends) received in the year by a restricted financial institution on taxable RFI shares (see section 187.3) **320** _____ FF

Total dividends subject to Part IV.1 tax (amount EE plus amount FF) **330** _____ GG

Part IV.1 tax payable Amount GG _____ x 10% = **340** _____ HH

Enter amount HH on line 716 of the T2 return.

Portion of dividends included in amount GG that is also subject to Part IV tax **350** _____ x rate = **360** _____ II
 Enter amount II on line 320 of Schedule 3. (see Note 3)

Note 1: Part IV.1 tax applies only if the dividend in question was deductible under section 112 or 113, or under subsection 138(6) or 115(1).

Note 2: Part IV.1 tax payable is due on or before the last day of the second month following the end of the taxation year.

Note 3: Use 10% and/or 30%, whichever applies, to calculate amount II above [see subsection 186(1.1)].