

**CALCULATION OF PARTS IV.1 AND VI.1 TAXES
(1998 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. "Restricted Financial Institution," "taxable RFI shares," "taxable preferred shares," and "short-term preferred shares" are terms defined in subsection 248(1) of the federal *Income Tax Act*.
- 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.
- 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, have to complete columns B and D in Part 1 of Schedule 5.
- Parts, sections, subsections, and paragraphs referred to on this schedule are from the federal *Income Tax Act*.
- For more information, see the *T2 Corporation Income Tax Guide*.

Part 1 – Calculation of dividend allowance

For taxation years shorter than 51 weeks, prorate the dividend allowance at line 210 by the number of days in the taxation year divided by 365. Paragraph 191.1(6)(b) provides a special rule for a corporation with 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.

Basic dividend allowance \$500,000

Minus: Taxable dividends [other than excluded dividends under subsections 191(1), 191(4), and 191(5)], to the extent the total exceeds \$1,000,000, that were paid in the calendar year immediately preceding the calendar year in which the taxation year ended 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 [subsection 191.1(2)] **110** _____ A

Dividend allowance (total dividend allowance for associated corporation) (if negative, enter "0") **115** _____ B

Date filed (for departmental use only) **116** | Year | Month | Day

Is this an amended agreement? **117** 1 Yes 2 No

Agreement for calendar year **118** | Year

Associated corporations

According to subsection 191.1(3), if a corporation is associated with one or more corporations, it should allocate the total dividend allowance (amount B) among associated corporations, as indicated below. The amount that is more than \$1,000,000 (amount A) includes non-excluded dividends paid by all associated corporations [subsection 191.1(4)].

In cases where an associated corporation has more than one taxation year ending in a calendar year, it is required to file an agreement for each taxation year ending in that calendar year.

Allocation of total dividend allowance

Names of associated corporations 120	Business Number (If a corporation is not registered, enter "NR.") 130	Dividend allowance allocated 140	Taxation year end to which agreement applies * (YYYY/MM/DD) 150
1.		\$	
2.			
3.			
4.			
5.			
6.			
7.			
8.			

Total (cannot be more than amount B)
If you need more space, please attach a separate list.

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

Part 2 – Calculation of Part VI.1 Tax

Complete the calculation of the dividend allowance in Part 1 on reverse.

1) Dividend allowance – amount B (from Part 1 on reverse) or, if associated, the amount allocated at line 140 on reverse ... **210** _____ A

Note: If the taxation year is less than 51 weeks, prorate line 115 or line 140 by the number of days in the taxation year divided by 365.

Taxable dividends [other than excluded dividends under subsections 191(1), 191(4), and 191(5)] paid in the year on short-term preferred shares ... **220** _____ B

Minus the lesser of amounts A and B _____ C

66 2/3% x _____ D = _____ E

2) Taxable dividends (other than excluded dividends) paid 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** _____ F

Minus the lesser of:

(i) Amount A _____

Minus amount C .. _____

(ii) Amount F _____

40% x _____ G = _____ I

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

Minus the lesser of:

(i) Amount A _____

Minus amount C ... _____

Amount G ... _____

(ii) Amount J _____

25% x _____ L = _____ M

4) Complete this calculation if the corporation has made an agreement under section 191.3 under which a corporation agrees 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** _____ N

Part VI.1 tax transferred to related corporation **260** _____ O

Total Part VI.1 tax payable: The total of amounts E, I, M, and N _____

Minus amount O _____

Enter on line 724 of the T2 return **270** _____

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

Part 3 – Calculation of Part IV.1 Tax

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

Taxable dividends [other than excepted dividends under section 187.1 and subsections 191(4) and 191(5)] 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** _____ P

Taxable dividends (other than excepted dividends) received in the year by a restricted financial institution on taxable RFI shares (section 187.3) [see the definition of "taxable RFI share" in subsection 248(1)] **320** _____ Q

Total dividends subject to Part IV.1 tax (total of amounts P and Q) **330** _____ R

Part IV.1 tax Amount R _____ x 10% = **340** _____ S
(enter amount S on line 716 of the T2 return)

Portion of dividends included in amount R that is also subject to Part IV tax **350** _____ x rate = **360** _____ T
(enter amount T 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% to calculate amount T above [subsection 186(1.1)].