



CORPORATION LOSS CONTINUITY AND APPLICATION
(2006 and later tax years)

Name of the corporation	Business Number	Tax year-end Year Month Day
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- This form is used to determine the continuity and use of available losses; to determine the current-year non-capital loss, farm loss, restricted farm loss, and limited partnership loss; to determine the amount of restricted farm loss and limited partnership loss that may be applied in a year; and to request a loss carryback to previous years.
- The corporation can choose whether or not to deduct an available loss from income in a tax year. It can deduct losses in any order. However, for each type of loss, deduct the oldest loss first.
- According to subsection 111(4) of the *Income Tax Act*, when control has been acquired, no amount of capital loss incurred for a tax year ending (TYE) before that time is deductible in computing taxable income in a TYE after that time **and** no amount of capital loss incurred in a TYE after that time is deductible in computing taxable income of a TYE before that time.
- When control has been acquired, subsection 111(5) provides for similar treatment of non-capital and farm losses, except as listed in paragraphs 111(5)(a) and (b).
- For information on these losses, see the *T2 Corporation – Income Tax Guide*.
- File one completed copy of this schedule with the T2 return, or send it by itself to the tax centre where the return is filed.
- Parts, sections, subsections, paragraphs, and subparagraphs mentioned in this schedule refer to the Act.

Part 1 – Non-capital losses

Determination of current-year non-capital loss

Net income (loss) for income tax purposes		
Deduct: (increase a loss)		
Net capital losses deducted in the year (enter as a positive amount)		
Taxable dividends deductible under sections 112, 113, or subsection 138(6)		
Amount of Part VI.1 tax deductible		
Amount deductible as prospector's and grubstaker's shares – Paragraph 110(1)(d.2)		
	▶	
	Subtotal (if positive, enter "0")	
Deduct: (increase a loss) Section 110.5 and/or subparagraph 115(1)(a)(vii) – Addition for foreign tax deductions		
	Subtotal	
Add: (decrease a loss) Current-year farm loss		
Current-year non-capital loss (if positive, enter "0")		

Continuity of non-capital losses and request for a carryback

Non-capital loss at the end of the previous tax year		
Deduct: Non-capital loss expired*	100	
Non-capital losses at the beginning of the tax year	102	
		▶
Add: Non-capital losses transferred on the amalgamation or the wind-up of a subsidiary corporation	105	
Current-year non-capital loss (from calculation above)	110	
		▶
		Subtotal
Deduct:		
Other adjustments (includes adjustments for an acquisition of control)	150	
Section 80 – Adjustments for forgiven amounts	140	
Amount applied against taxable income (enter on line 331 of the T2 return)	130	
Amount applied against taxable dividends subject to Part IV tax	135	
		▶
		Subtotal
Deduct – Request to carry back non-capital loss to:		
First previous tax year to reduce taxable income	901	
Second previous tax year to reduce taxable income	902	
Third previous tax year to reduce taxable income	903	
First previous tax year to reduce taxable dividends subject to Part IV tax	911	
Second previous tax year to reduce taxable dividends subject to Part IV tax	912	
Third previous tax year to reduce taxable dividends subject to Part IV tax	913	
		▶
Non-capital losses – Closing balance		180

* A non-capital loss expires as follows:
 • After **7** tax years if it arose in a tax year ending before March 23, 2004;
 • After **10** tax years if it arose in a tax year ending after March 22, 2004, and before 2006; or
 • After **20** tax years if it arose in a tax year ending after 2005.

An allowable business investment loss becomes a net capital loss as follows:
 • After **7** tax years if it arose in a tax year ending before March 23, 2004;
 • After **10** tax years if it arose in a tax year ending after March 22, 2004.

Part 1 – Non-capital losses (continued)

Election under paragraph 88(1.1)(f)

Paragraph 88(1.1)(f) election indicator **190** Yes
 Loss from a wholly owned subsidiary deemed to be a loss of the parent from its immediately previous tax year.

Part 2 – Capital losses

Continuity of capital losses and request for a carryback

Capital losses at the end of the previous tax year	200	_____	
Capital losses transferred on the amalgamation or the wind-up of a subsidiary corporation	205	_____	▶ _____
Deduct:			
Other adjustments (includes adjustments for an acquisition of control)	250	_____	
Section 80 – Adjustments for forgiven amounts	240	_____	
		=====	▶ _____
			Subtotal _____
Add:			
Current-year capital loss (from the calculation on Schedule 6)			210 _____
Unused non-capital losses that expired in the tax year*		=====	A _____
Allowable business investment losses (ABIL) that expired as non-capital losses in the tax year**		=====	B _____
Enter amount from line A or B, whichever is less	215	=====	_____
ABILs expired as non-capital loss: line 215 divided by the inclusion rate***			220 _____
			Subtotal _____
Note			
If there has been an amalgamation or a wind-up of a subsidiary, do a separate calculation of the ABIL expired as non-capital loss for each predecessor or subsidiary. Add all these amounts and enter the total at line 220 above.			
Deduct:			
Amount applied against the current-year capital gain (see Note 1)			225 _____
			Subtotal _____
Deduct – Request to carry back capital loss to (see Note 2):			
First previous tax year	951	_____	
Second previous tax year	952	_____	
Third previous tax year	953	_____	
		=====	▶ _____
Capital losses – Closing balance			280 _____

Note 1
 Enter the amount from line 225 multiplied by 50% on line 332 of the T2 return.

Note 2
 On lines 225, 951, 952, or 953, whichever applies, enter the actual amount of the loss. When the loss is applied, multiply this amount by the 50% inclusion rate.

* Enter the losses from the 8th previous tax year if the losses were incurred in a tax year ending before March 23, 2004. Enter the losses from the 11th previous tax year if the losses were incurred in a tax year ending after March 22, 2004, and before 2006. Enter the losses from the 21st previous tax year if the losses were incurred in a tax year ending after 2005. Enter the part that was not used in previous years and the current year on line A.

** Enter the losses from the 8th previous tax year if the losses were incurred in a tax year ending before March 23, 2004. Enter the losses from the 11th previous tax year if the losses were incurred in a tax year ending after March 22, 2004. Enter the full amount on line B.

*** This inclusion rate is the rate used to calculate your ABIL referred to at line B. Therefore, use one of the following inclusion rates, whichever applies:

- For ABILs incurred in the 1999 and previous tax years, use 0.75.
- For ABILs incurred in the 2000 and 2001 tax years, the inclusion rate is equal to amount M on Schedule 6 – version T2SCH6(01)
- For ABILs incurred in the 2002 and later tax years, use 0.50.

Part 3 – Farm losses

Continuity of farm losses and request for a carryback

Farm losses at the end of the previous tax year				
Deduct: Farm loss expired *	300			
Farm losses at the beginning of the tax year	302			
Add: Farm losses transferred on the amalgamation or the wind-up of a subsidiary corporation	305			
Current-year farm loss	310		▶	
Deduct:				
Other adjustments (includes adjustments for an acquisition of control)	350			
Section 80 – Adjustments for forgiven amounts	340			
Amount applied against taxable income (enter on line 334 of the T2 return)	330			
Amount applied against taxable dividends subject to Part IV tax	335			
			▶	
			Subtotal	
Deduct – Request to carry back farm loss to:				
First previous tax year to reduce taxable income	921			
Second previous tax year to reduce taxable income	922			
Third previous tax year to reduce taxable income	923			
First previous tax year to reduce taxable dividends subject to Part IV tax	931			
Second previous tax year to reduce taxable dividends subject to Part IV tax	932			
Third previous tax year to reduce taxable dividends subject to Part IV tax	933			
			▶	
Farm losses – Closing balance			380	

* A farm loss expires as follows:

- After **10** tax years if it arose in a tax year ending before 2006; or after **20** tax years if it arose in a tax year ending after 2005.

Part 4 – Restricted farm losses

Current-year restricted farm loss

Total losses for the year from farming business				
Minus the deductible farm loss:				
\$2,500 plus D or E, whichever is less		2,500		
(Amount C above _____ – \$2,500) divided by 2 = _____ D				
		6,250 E		
			▶	
Current-year restricted farm loss (amount C minus amount F) (enter this amount on line 410)				F

Continuity of restricted farm losses and request for a carryback

Restricted farm losses at the end of the previous tax year				
Deduct: Restricted farm loss expired *	400			
Restricted farm losses at the beginning of the tax year	402			
Add: Restricted farm losses transferred on the amalgamation or the wind-up of a subsidiary corporation	405			
Current-year restricted farm loss (enter on line 233 of Schedule 1)	410		▶	
Deduct:				
Amount applied against farming income (enter on line 333 of the T2 return)	430			
Section 80 – Adjustments for forgiven amounts	440			
Other adjustments	450			
			▶	
			Subtotal	
Deduct – Request to carry back restricted farm loss to:				
First previous tax year to reduce farming income	941			
Second previous tax year to reduce farming income	942			
Third previous tax year to reduce farming income	943			
			▶	
Restricted farm losses – Closing balance			480	

Note

The total losses for the year from all farming businesses are calculated without including scientific research expenses.

* A restricted farm loss expires as follows:

- After **10** tax years if it arose in a tax year ending before 2006; or after **20** tax years if it arose in a tax year ending after 2005.

Part 7 – Limited partnership losses

Current-year limited partnership losses

1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Corporation's share of limited partnership loss	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, farming losses, and resource expenses	Column 4 minus column 5 (if negative, enter "0")	Current-year limited partnership losses (column 3 – 6)
600	602	604	606	608		620
1						
2						
3						
4						
5						
Total						
(enter this amount on line 222 of Schedule 1)						

Limited partnership losses from prior tax years that may be applied in the current year

1	2	3	4	5	6	7
Partnership identifier	Fiscal period ending	Limited partnership losses at the end of the previous tax year	Corporation's at-risk amount	Total of corporation's share of partnership investment tax credit, business or property losses, and resource expenses	Column 4 minus column 5 (if negative, enter "0")	Limited partnership losses that may be applied in the year (the lesser of columns 3 and 6)
630	632	634	636	638		650
1						
2						
3						
4						
5						

Continuity of limited partnership losses that can be carried forward to future tax years

1	2	3	4	5	6
Partnership identifier	Limited partnership losses at the end of the previous tax year	Limited partnership losses transferred on an amalgamation or the wind-up of a subsidiary	Current-year limited partnership losses (from column 620)	Limited partnership losses applied (cannot exceed column 650)	Limited partnership losses closing balance (662 + 664 + 670 – 675)
660	662	664	670	675	680
1					
2					
3					
4					
5					
Total					
(enter this amount on line 335 of the T2 return)					

Note

If more space is needed, attach additional schedules.