

- Enter the applicable taxation year in the box above.
- Complete this schedule if the trust is a personal trust designating net taxable capital gains (see reverse) to a beneficiary who is an individual or a trust, to determine the amount that is eligible for the beneficiary's capital gains deduction, or if the trust is a spousal or common-law partner trust claiming a capital gains deduction, which is available only in the year the beneficiary spouse or common-law partner dies.
- **Eligible capital gains** include only gains from dispositions, or deemed dispositions, of qualified farm property (QFP) or qualified small business corporation shares (QSBCS).

Part 1 – Trust's annual gains limit for the year

Eligible capital gains (losses) for the year (lines 1 and 2 of Schedule 1, and lines 1 and 2 of Form T1055)

Eligible capital gains (losses) for the year (lines 1 and 2 of Schedule 1, and lines 1 and 2 of Form T1055)			1	
Capital gains (losses) from reserves on QFP and QSBCS (lines 1 and 2 of Schedule 2)	+		2	
Subtotal (line 1 plus line 2)	=		3	
	x	1/2	=	4
Deemed taxable capital gains on disposition of eligible capital property: QFP (included in line 07 of the T3 return)			3080	+
Subtotal (line 4 plus line 5; if negative, enter "0")	=			6
Total taxable capital gains (or net capital loss) for the year (line 21 of Schedule 1 and line 25 of Form T1055, minus 1/2 of the T3 income on line 10 of Schedule 1)				7
Deemed taxable capital gains (line 5)	+			8
Subtotal (line 7 plus line 8; if negative, enter "0")	=			9
Total qualifying taxable capital gains for the year (line 6 or line 9, whichever is less)				10
Net capital losses of other years deducted in current year (line 52 of the T3 return)				11
Line 9		minus line 10	=	12
Subtotal (line 11 minus line 12; if negative, enter "0")	=			13
Allowable business investment losses (line 25 of the T3 return)	+			14
Total losses (line 13 plus line 14)	=			15
Annual gains limit (line 10 minus line 15; if negative, enter "0")	=			16

Part 2 – Trust's cumulative gains limit for the year

Qualifying taxable capital gains reported after 1984 and before current year (line 322 of previous year's Schedule 3)	3200			17
Qualifying taxable capital gains for the year (line 10)		+		18
Cumulative taxable capital gains eligible for the capital gains deduction (line 17 plus line 18)		=		19
Cumulative loss amount reported in previous years after 1984 (line 325 of previous year's Schedule 3)				20
Taxable portion of reserves from pre-1985 dispositions included in income for the years 1985 to 1991. If the trust claimed net capital losses of other years and in the same taxation year reported reserves from pre-1985 dispositions, in a 1985 to 1991 taxation year, complete the chart on the back.				21
Adjusted cumulative loss amount reported after 1984 and before the current year (line 20 minus line 21)	3230	=		22
Total losses used to calculate the annual gains limit (line 15)		+		23
Cumulative loss amount (line 22 plus line 23)		=		24
Cumulative net investment loss (line 27 of Schedule 4)		+		25
Total losses (line 24 plus line 25)		=		26
Cumulative gains limit (line 19 minus line 26; if negative, enter "0")		=		27

Part 3 – Trust's eligible taxable capital gains for the year

Annual gains limit (line 16)				28
Cumulative gains limit (line 27)				29
Eligible taxable capital gains designated in earlier years				
Line 332 of previous year's Schedule 3	3321			30
Line 930 of previous year's Schedule 9	3322	+		31
Subtotal (line 30 plus line 31)		=		32
Subtotal (line 29 minus line 32; if negative, enter "0")		=		33
Eligible taxable capital gains (line 28 or line 33, whichever is less)				34

Enter the amount from line 34 on line 1 of Schedule 5, or use it to calculate the taxable capital gains eligible for deduction. See Line 930 in the T3 guide.

● **Line 22 – Adjusted cumulative loss amount reported after 1984 and before the current year**

You have to make an adjustment if the trust claimed net capital losses of other years in a taxation year after 1984 and before 1992 if, in the same taxation year, the trust reported a pre-1985 reserve. You have to reduce the net capital losses of other years claimed in a year by the taxable portion of the pre-1985 reserve reported in the year. The following chart will help you calculate this adjustment for line 21. If you have never made this calculation, you have to make it in the current year for all the years from 1985 to 1991.

Calculation for line 21

Year	1 Net capital losses of other years claimed in the year	2 Reserves related to capital dispositions before 1985	3	4 Taxable portion of reserve (column 2 x column 3)	5 Lesser of amounts in column 1 and column 4 (if negative, enter "0")
1985	\$ _____	\$ _____	x 1/2	\$ _____	\$ _____
1986	\$ _____	\$ _____	x 1/2	\$ _____	\$ _____
1987	\$ _____	\$ _____	x 1/2	\$ _____	\$ _____
1988	\$ _____	\$ _____	x 2/3	\$ _____	\$ _____
1989	\$ _____	\$ _____	x 2/3	\$ _____	\$ _____
1990	\$ _____	\$ _____	x 3/4	\$ _____	\$ _____
1991	\$ _____	\$ _____	x 3/4	\$ _____	\$ _____
Total					\$ _____

Enter the total of column 5 on line 21 of this schedule.

1. Net capital losses of other years claimed in the year – for 1985 and 1986, line 6 of Part I of Form T672; for 1987, line 523 of Schedule 5B; for 1988 to 1991, line 52 of the T3 return. Also include any capital loss carrybacks claimed in each year.
2. Reserves related to capital disposition before 1985 – for 1985, previous-year reserve from Schedule 2; for 1986, line 511 of Schedule 5; for 1987, 1985 and prior net reserve (line 513 **minus** line 514) from Schedule 5A; for 1988 and 1989, line 575 of Schedule 5C; and for 1990 and 1991, line 215 of Schedule 2.

Related Schedules

If you complete Schedule 3, you also have to complete and submit Schedule 4, *Cumulative Net Investment Loss*. You will need the amount you calculated on line 34 on this schedule when you complete Schedule 5, *Beneficiary Spouse or Common-Law Partner Information and Spousal or Common-Law Partner Trust's Capital Gains Deduction*, and Schedule 9, *Income Allocations and Designations to Beneficiaries*. This is the amount of the trust's taxable capital gain that qualifies for a capital gains deduction for a spousal or common-law partner trust (line 1 of Schedule 5) or an individual beneficiary (line 930 of Schedule 9).