

FEDERAL FOREIGN TAX CREDITS

Use this form to calculate the amount you can deduct from federal tax for 2002 or a later year. If this claim is for a year before 2002, get a copy of the previous version of this form. You can claim this credit if you were resident in Canada at any time in the tax year, and you had to include, on your Canadian return, income that came from a foreign country, and for which you paid non-business or business taxes to that foreign country. Attach a completed copy of this form to your return. If the total of the foreign taxes you paid to **all foreign countries is more than \$200**, complete a separate form for each foreign country to which you paid taxes. For more information, see Interpretation Bulletin IT- 270, *Foreign Tax Credit*.

Country or countries for which you are making this claim: _____

Foreign non-business income

Non-business income tax paid to a foreign country ^(a) _____ 1

Net foreign non-business income ^(b) _____
 Divided by: Net income ^(c) _____
 _____ × Federal tax ^(d) _____ = _____ 2

Enter the amount from line 1 or line 2, whichever is **less** **Federal non-business foreign tax credit** 3

The amount on line 3 should not be more than the amount on line 13 of your Schedule 1.

Foreign business income

Business income tax paid to a foreign country ^(e) for the year, plus any unused foreign tax credits for that country for the seven ^(f) years before and the three years after this year _____ 4

Net foreign business income ^(g) _____
 Divided by: Net income ^(c) _____
 _____ × Basic federal tax ^(h) _____ = _____ 5

Federal surtax on income you earned outside Canada: amount from line 10 of Part 2 of Form T2203, *Provincial and Territorial Taxes for 2004 – Multiple Jurisdictions*, or 48% of the amount from line 13 of Schedule 1. Enter the amount that applies to the country or countries that you have identified at the top of this page + _____ 6

Add lines 5 and 6 = _____ 7

Add basic federal tax ^(h) and the amount from line 6 _____ 8

Enter the amount from line 3, if any - _____ = _____ 8

Enter the amount from line 4, 7, or 8, whichever is the **least** **Federal business foreign tax credit** 9

Add lines 3 and 9
 Enter this amount on line 14 of Schedule 1 **Federal foreign tax credit** 10

The amount on line 10 should not be more than the amount on line 13 of your Schedule 1.

(a) Non-business income tax paid to a foreign country (see note below) is the total of non-business income or profits tax you paid to that country or to a political subdivision of that country for the year, minus any part of this tax that is deductible under subsection 20(11) or deducted under subsection 20(12) of the Canadian *Income Tax Act*. Non-business income tax paid to a foreign country does not include tax that can reasonably be attributed to an amount that:

- any other person or partnership has received or is entitled to receive from the foreign country;
- relate to employment income from that country, and you claimed an overseas employment tax credit for that income;
- relate to taxable capital gains from that country, and you or your spouse or common-law partner claimed a capital gains deduction for that income;
- was deductible as income that was exempt from tax under a tax treaty between Canada and that country; or
- was taxable in the foreign country because you were a citizen of that country, and relate to income from a source within Canada.

Note: Any amount of tax you paid to a foreign government in excess of the amount you had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign taxes paid.

(b) Net foreign non-business income (see note below) is the net amount you calculate when the non-business income you earned in a foreign country is more than the non-business losses you incurred in that country. When you calculate the non-business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss (including foreign resource and exploration and development deductions, as well as deductions claimed under subsections 20(11) or 20(12) of the Act – do not include any deduction you claimed for a dividend you received from a controlled foreign affiliate). Reduce your foreign non-business income by any income from that foreign country for which you claimed a capital gains deduction, and by any income from that country that was, under a tax treaty between Canada and that country, deductible as exempt from tax in Canada or in that country. Also, reduce it by any part of employment income from that country for which you claimed an overseas employment tax credit. If your net foreign non-business income is more than your net income, use your **net income** in the calculation.

For more information on deductions claimed under subsections 20(11) and 20(12) of the Act, see Interpretation Bulletin IT-506, *Foreign Income Taxes as a Deduction from Income*.

Note: Only include your foreign income for the part of the year you were a resident of Canada.

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(c) **Net income** (see note below) – Line 236 of your return plus the amount on line 3 of Form T1206, *Tax on Split Income*, minus any:

- amount deductible as a Canadian forces personnel and police deduction (line 244 of your return);
- amount deductible as an employee home relocation loan deduction (line 248 of your return);
- amount deductible as security options deductions (line 249 of your return);
- amount deductible as an other payments deduction (line 250 of your return);
- net capital losses of other years you claimed (line 253 of your return);
- capital gains deduction you claimed (line 254 of your return); and
- amounts deductible as net employment income from a prescribed international organization, as foreign income exempt under a tax treaty, or as adult basic education tuition assistance (included on line 256 of your return).

Note: Include only the income for the part of the year you were a resident of Canada. Also, for the part of the year you were not a resident of Canada, include the taxable income you earned in Canada (before deductions in paragraphs 115(1)(d) to (f) of the Act) as reported on your Canadian return.

(d) **Federal tax** (see note below) – Line 13 of Schedule 1, plus any:

- federal dividend tax credit (line 425 of Schedule 1);
 - overseas employment tax credit (line 426 of Schedule 1); and
 - federal surtax on income you earned outside Canada (line 10 of Part 2 of Form T2203 or 48% of the amount from line 13 of Schedule 1);
- minus any:
- refundable Quebec abatement (line 440 of your return or line 15 of Part 2 of Form T2203); and
 - federal refundable First Nations abatement (line 441 of your return).

Note: If you were a resident of Quebec, **federal tax** is the amount on line 13 of Schedule 1, plus any:

- federal dividend tax credit (line 425 of Schedule 1); and
 - overseas employment tax credit (line 426 of Schedule 1);
- minus any:
- refundable Quebec abatement (line 440 of your return or line 15 of Part 2 of Form T2203).

(e) **Business income tax paid to a foreign country** (see note 1 below) is the total of business income or profits tax you paid to a country or a political subdivision of a country for the year (see note 2 below). It does not include any part of the business income tax that can be reasonably attributed to an amount that any other person or partnership has received or is entitled to receive from a country, or that was payable on income that was exempt from tax under a tax treaty between Canada and that country.

Note 1: Any amount of tax you paid to a foreign government in excess of the amount you had to pay according to a tax treaty is considered a voluntary contribution and does not qualify as foreign taxes paid.

Note 2: If you were a resident of Quebec, multiply this amount by 55%.

(f) **Unused foreign tax credits** – Under proposed legislation, the carry forward period for unused foreign tax credits for a tax year ending after March 22, 2004, is changed from 7 to 10 years.

(g) **Net foreign business income** (see note below) is the net amount by which the business income you earned in a foreign country is more than the business losses you incurred in that country. When you calculate the business income and losses, claim the allowable expenses and deductions relating to the foreign income or loss, including foreign resource and exploration and development deductions. Also reduce your foreign business income by any income from that country that was, under a tax treaty between Canada and that country, exempt from tax, in Canada or in the country. If your net foreign business income is more than your net income, use your **net income** in the calculation.

Note: Include only the income for the part of the year you were a resident of Canada.

(h) **Basic federal tax** – Line 13 of Schedule 1, plus any:

- federal dividend tax credit (line 425 of Schedule 1); and
- overseas employment tax credit (line 426 of Schedule 1).