



CALCULATION OF FEDERAL FOREIGN TAX CREDITS

- Use this form to determine the amount you may claim as a deduction from federal tax and/or from the individual surtax for a taxation year if you were resident in Canada at any time in the taxation year and were required to include, on your Canadian income tax return, income which originated in a foreign country for which non-business and/or business taxes were paid to that foreign country.
- Attach a completed copy of this form to your income tax return. You will have to complete a separate form for each foreign country to which you paid foreign taxes if the total foreign taxes paid to all foreign countries is more than \$200.
- Refer to Interpretation Bulletin IT- 270, *Foreign Tax Credit* or contact your district office for more information.

PART I - CALCULATION OF FEDERAL FOREIGN TAX CREDIT

A. NON-BUSINESS FOREIGN INCOME

1. Non-business-income tax paid to a foreign country* \$ _____ (A)

2.
$$\left[\frac{\text{Net foreign non-business income**}}{\text{Net income***}} \right] \times \left[\text{Federal tax ****} \right] = \$ \text{_____} \text{ (B)}$$

Federal non-business foreign tax credit allowed is the lesser of A and B. \$ _____ (C)

B. BUSINESS FOREIGN INCOME (complete only if you had foreign business income)

1. Business-income tax paid to a foreign country † plus any unused foreign tax credit for that country \$ _____ (D)

2.(a)
$$\left[\frac{\text{Net foreign business income ††}}{\text{Net income***}} \right] \times \left[\text{Basic federal tax †††} \right] = \$ \text{_____} \text{ (E)}$$

(b) Federal surtax (52% of the Basic federal tax (line 506 of Schedule 1) applicable to income not subject to a provincial tax).
(If business-income tax is paid to more than one country, enter the proportion applicable to this particular country) \$ _____ (E)

TOTAL ((a) plus (b)) \$ _____ (E)

3.
$$\left[\text{Basic federal tax ††† plus federal surtax} \right] \text{ minus } \left[\text{Any fed. non-business foreign tax credit (line C above)} \right] = \$ \text{_____} \text{ (F)}$$

Federal business foreign tax credit allowed is the least of D, E and F. \$ _____ (G)

C. FEDERAL FOREIGN TAX CREDIT

Total of line C and line G (Enter this amount at line 509 of Schedule 1) \$ _____ (H)

PART II - CALCULATION OF ADDITIONAL FOREIGN TAX CREDITS TO BE DEDUCTED FROM INDIVIDUAL SURTAX

D. NON-BUSINESS FOREIGN INCOME

1. Non-business-income tax paid to a foreign country* (line A above) minus the federal non-business foreign tax credit (line C above) \$ _____ (I)

2.
$$\left[\frac{\text{Net foreign non-business income**}}{\text{Net income***}} \right] \times \left[\text{Individual surtax (from line 510 of Schedule 1)} \right] = \$ \text{_____} \text{ (J)}$$

Additional federal non-business foreign tax credit is the lesser of I and J. \$ _____ (K)

E. BUSINESS FOREIGN INCOME

1. Business-income tax paid to a foreign country † plus any unused foreign tax credit for that country (line D) minus the federal business foreign tax credit (line G) \$ _____ (L)

2.
$$\left[\frac{\text{Net foreign business income ††}}{\text{Net income***}} \right] \times \left[\text{Individual surtax (from line 510 of Schedule 1)} \right] = \$ \text{_____} \text{ (M)}$$

3.
$$\left[\text{Individual surtax (from line 510 of Schedule 1)} \right] \text{ minus } \left[\text{Any additional non-business foreign tax credit (line K above)} \right] = \$ \text{_____} \text{ (N)}$$

Additional federal business foreign tax credit is the least of L, M and N. \$ _____ (O)

F. TOTAL ADDITIONAL FEDERAL FOREIGN TAX CREDIT TO BE DEDUCTED FROM INDIVIDUAL SURTAX

Total of line K and line O (Enter this amount at line 511 of Schedule 1) \$ _____ (P)

NOTE: If the amount determined at line C of the special foreign tax credit calculation (on form T691) exceeds the total amount of lines H and P for all form T2209's, no additional deduction from individual surtax is available. Enter "0" at line 511 of Schedule 1.

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- * **Non-business-income tax paid to a foreign country** is the total taxes paid to that country for the year other than business-income tax, minus any portion of such taxes that is deductible under subsection 20(11) or deducted under subsection 20(12) of the *Income Tax Act*. It also does not include any portion of such taxes that may reasonably be attributed to amounts:
- that any other person or partnership received or is entitled to receive from the foreign country;
 - that relate to employment income from that country for which an overseas employment tax credit is calculated;
 - that relate to taxable capital gains from that country for which a capital gains deduction is claimed;
 - that were deductible as exempt income under the tax treaty between Canada and that country; or
 - that were taxable in the foreign country because you were a citizen of that country and are attributable to income from a source within Canada.
- ** **Net foreign non-business income**¹ must be reduced by any income from that foreign country for which a capital gains deduction is claimed and by any income from that country that was deductible as exempt income under the tax treaty between Canada and that country. It does not include any portion of employment income from that country for which an overseas employment tax credit is calculated.
- *** **Net income**¹ for the purposes of this calculation, is the amount at line 236 of your return (or if you filed a form T581 election, line 7 of that form) minus any:
- net capital losses of other years claimed (line 253 of the return);
 - capital gains deduction claimed (line 254 of the return);
 - foreign income deductible as exempt income under a tax treaty and income from a prescribed international organization (included at line 256 of the return);
 - amounts deductible as an employee home relocation loan deduction (line 248 of the return);
 - amounts deductible as stock option and shares deductions (line 249 of the return); and
 - amounts deductible as an other payments deduction (line 250 of the return).
- **** **Federal tax** in this part of the calculation is line 506 of Schedule 1 plus any:
- overseas employment tax credit (from form T626);
 - dividend tax credit (from line 502 of Schedule 1);
 - federal surtax for income not earned in a province (from Schedule 1 or form T2203);
- and minus any:
- refundable Quebec abatement (for residents of Quebec only); and
 - tax adjustments for CPP/QPP disability benefits for previous years (from line 500 of Schedule 1).
- † **Business-income tax paid to a foreign country** is the total of business-income tax paid to the foreign country for the year and the unused foreign tax credits in respect of that country for the seven taxation years before and the three taxation years immediately following this taxation year. It does not include any portion of the business-income tax that may be reasonably attributed to an amount that any other person or partnership has or is entitled to receive from that country, or was deductible as exempt income under the tax treaty between Canada and that country.
- †† **Net foreign business income** is the total business income from the foreign country minus any portion that was deductible under the tax treaty between Canada and the country.
- ††† **Basic federal tax** in this part of the calculation is line 506 of Schedule 1 plus any:
- overseas employment tax credit (from form T626);
 - dividend tax credit (from line 502 of Schedule 1);
- and minus any:
- refundable Quebec abatement (for residents of Quebec only); and
 - tax adjustments for CPP/QPP disability benefits for previous years (from line 500 of Schedule 1).

¹ **Note:** If you were resident in Canada for part of the year, only include the income for the period or periods in the year throughout which you were resident in Canada, were employed in Canada or were carrying on a business in Canada.