



CALCULATION OF FEDERAL FOREIGN TAX CREDITS

- Use this form to determine the amount you can 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 you had to include, on your Canadian income tax return, income which originated in a foreign country for which you paid non-business and/or business taxes to that foreign country.
- Attach a completed copy of this form to your income tax return. 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.
- If you need more information, get Interpretation Bulletin IT-270, *Foreign Tax Credit*, or contact one of our income tax offices.

Part I – Calculation of Federal Foreign Tax Credit

Non-business foreign income

1. Non-business income tax paid to a foreign country* (see other side for details) \$ _____ (A)

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

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

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) $\left[\frac{\text{Net foreign business income}^{\dagger\dagger} \$ \quad | \quad }{\text{Net income}^{***} \$ \quad | \quad } \right] \times \left[\text{Basic federal tax}^{\dagger\dagger\dagger} \$ \quad | \quad \right] = \$ \quad | \quad \text{(a)}$

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

Total: Line (a) plus line (b) \$ _____ (E)

3. Basic federal tax ††† plus federal surtax (line (b)) \$ _____

Subtract: The amount from line (C), if any \$ _____ = \$ _____ (F)

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

Federal foreign tax credit: Line (C) plus line (G) (enter this amount on line 509 of Schedule 1) \$ _____ (H)

Part II – Calculation of Additional Foreign Tax Credit to be Deducted from Individual Surtax

Non-business foreign income

1. Line (A) minus line (C) \$ _____ (I)

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

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

Business foreign income

1. Line (D) minus line (G) \$ _____ (L)

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

3. Individual surtax (from line 510 of Schedule 1) \$ _____
Subtract: The amount from line (K), if any \$ _____ = \$ _____ (N)

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

Additional federal foreign tax credit to be deducted from individual surtax: Line (K) plus line (O) (enter this amount on line 511 of Schedule 1) \$ _____ (P)

Note: If the amount on line (C) in Part III of form T691, *Calculation of Minimum Tax*, is more than the total amount on lines (H) and (P) for all form T2209's, you cannot claim an additional deduction from individual surtax. Enter "0" on line 511 of Schedule 1.

- * **Non-business income tax paid to a foreign country** is the total income or profits taxes paid to that country (or to a political subdivision of the country) for the year (excluding business income tax), minus any part 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 part of such taxes that can reasonably be attributed to amounts that:
- any other person or partnership received or is entitled to receive from the foreign country;
 - relate to employment income from that country for which you claimed an overseas employment tax credit;
 - relate to taxable capital gains from that country for which you claimed a capital gains deduction;
 - were deductible as exempt income under a tax treaty between Canada and that country; or
 - were taxable in the foreign country because you were a citizen of that country, and relate to income from a source within Canada.
- ** **Net foreign non-business income**¹ is the total non-business income from the foreign country before deducting the foreign tax, minus allowable expenses paid to earn the foreign income. Reduce this amount by any income from that foreign country for which you claimed a capital gains deduction and by any income from that country that was deductible as exempt income under a tax treaty between Canada and that country. Also, reduce this amount by any part of employment income from that country for which you claimed an overseas employment tax credit.
- *** **Net income**¹ for the purposes of this calculation is the amount on line 236 of your return (or if you filed a form T581 election, it is the amount on line 7 of that form) minus any:
- amounts deductible as an employee home relocation loan deduction (line 248 of your return);
 - amounts deductible as stock option and shares deductions (line 249 of your return);
 - amounts deductible as an other payments deduction (line 250 of your return);
 - net capital losses of other years claimed (line 253 of your return);
 - capital gains deduction claimed (line 254 of your return); and
 - foreign income deductible as exempt income under a tax treaty, or deductible as net employment income from a prescribed international organization (included on line 256 of your return).
- **** **Federal tax** in this part of the calculation is the amount from 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 (included on line 500 of Schedule 1).
- † **Business income tax paid to a foreign country** is the total of business income or profits taxes paid to that country (or to a political subdivision of the country) for the year and the unused foreign tax credits for that country for the seven taxation years before and the three taxation years immediately after this taxation year. 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 that country, or was deductible as exempt income under a tax treaty between Canada and that country.
- †† **Net foreign business income** is the total business income from the foreign country minus allowable expenses paid to earn the foreign income, and minus any part that was deductible as exempt income under a tax treaty between Canada and that country.
- ††† **Basic federal tax** in this part of the calculation is the amount from line 506 of Schedule 1, plus any:
- overseas employment tax credit (from form T626); and
 - dividend tax credit (from line 502 of Schedule 1);
- and minus any:
- tax adjustments for CPP/QPP disability benefits for previous years (included on 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 when you were resident in Canada, were employed in Canada, or were carrying on a business in Canada.