

CALCULATION OF FEDERAL FOREIGN TAX CREDITS

- Use this form to determine the amount you can claim as a deduction from federal tax and 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 tax services offices.

Part I – Federal foreign tax credit

Non-business foreign income

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

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

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

Business foreign income (complete only if you had foreign business income)

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

$$\left[\frac{\text{Net foreign business income}^{\dagger\dagger} \$}{\text{Net income}^{***} \$} \right] \times \left[\text{Basic federal tax}^{\dagger\dagger\dagger} \$ \right] = \$ \text{_____} \text{ 1}$$

Federal surtax applicable to income not subject to a provincial tax (52% of the Basic federal tax (line 26 of Schedule 1).
If you paid business income tax to more than one country, enter the proportion that applies to this particular country) \$ _____ 2

Total: Line 1 plus line 2 \$ _____ (E)

Basic federal tax ††† plus federal surtax (line 2) \$ _____

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 29 of Schedule 1) \$ _____ (H)

Part II - Additional foreign tax credit to be deducted from individual surtax

Non-business foreign income

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

$$\left[\frac{\text{Net foreign non-business income}^{**} \$}{\text{Net income}^{***} \$} \right] \times \left[\text{Individual surtax (from line 36 of Schedule 1)} \$ \right] = \$ \text{_____} \text{ (J)}$$

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

Business foreign income

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

$$\left[\frac{\text{Net foreign business income}^{\dagger\dagger} \$}{\text{Net income}^{***} \$} \right] \times \left[\text{Basic federal tax}^{\dagger\dagger\dagger} \text{ plus } \$ \text{_____} \text{ Individual surtax (from line 36 of Schedule 1)} \right] = \$ \text{_____} \text{ 3}$$

Federal surtax applicable to income not subject to a provincial tax (52% of the Basic federal tax (line 26 of Schedule 1).
If you paid business income tax to more than one country, enter the proportion that applies to this particular country) \$ _____ 4

Line 3 plus line 4 \$ _____ 5

Enter the amount from line (G) \$ _____ 6

Line 5 minus line 6 (if negative, enter "0") \$ _____ (M)

Individual surtax (from line 36 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) \$ _____ (P)
Enter this amount on line 37 of Schedule 1)

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 T2209 forms, you cannot claim an additional deduction from individual surtax. Enter "0" on line 37 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 or your spouse 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 and deductions relating to the foreign income (other than any deduction you claimed in respect of a dividend you received from a controlled foreign affiliate). 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. If the net foreign non-business income is greater than the net income, use the amount of the net income in the calculation.
- *** **Net income**² 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** 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**¹ is the total business income from the foreign country minus allowable expenses and deductions relating to the foreign income, and minus any part that was deductible as exempt income under a tax treaty between Canada and that country. If the net foreign business income is greater than the net income, use the amount of the net income in the calculation.
- ††† **Basic federal tax** 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 a resident of Canada for part of the year, only include the income for the part of the year when you were a resident of Canada.

² **Note:** If you were a resident of Canada for part of the year, include the income for the part of the year when you were a resident of Canada, and your taxable income earned in Canada (before deductions in paragraphs 115(1)(d) to (f) of the *Income Tax Act*) as reported on your Canadian income tax return, for the part of the year when you were not a resident of Canada.