



# 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 federal 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 or business taxes to that foreign country. Attach a completed copy of this form to your income tax return. If the total foreign taxes you paid to all foreign countries is more than \$200, complete a separate form for each foreign country to which you paid foreign taxes.

See the back of this form for details. If you need more information, get Interpretation Bulletin IT-270, *Foreign Tax Credit*, or contact your Revenue Canada tax services office.

## Part 1 – Federal foreign tax credit

### Non-business foreign income

Non-business-income tax paid to a foreign country \* ..... 1

Net foreign non-business income \*\* ..... X Federal tax \*\*\*\* ..... = ..... 2  
 Net income \*\*\* .....

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

### Business foreign income

Business-income tax paid to a foreign country †, plus any unused foreign tax credit for that country ..... 4

Net foreign business income †† ..... X Basic federal tax ††† ..... = ..... 5  
 Net income \*\*\* .....

Federal surtax on income you earned outside Canada: Amount from line 13 of Form T2203, or 52% of the amount from line 26 of Schedule 1. If you paid business-income tax to more than one country, enter the portion that applies to this country ..... + ..... 6

Add line 5 and line 6 ..... = ..... 7

Add basic federal tax ††† 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 line 3 and line 9. Enter this amount on line 29 of Schedule 1 ..... **Federal foreign tax credit** ..... 10

## Part 2 – Additional foreign tax credit (to be deducted from individual surtax)

### Non-business foreign income

Line 1 minus line 3 ..... 11

Net foreign non-business income \*\* ..... X Federal individual surtax from line 36 of Schedule 1 ..... = ..... 12  
 Net income \*\*\* .....

Enter the amount from line 11 or line 12, whichever is less ..... **Additional federal non-business foreign tax credit** ..... 13

### Business foreign income

Line 4 minus line 9 ..... 14

Net foreign business income †† ..... X Basic federal tax ††† plus federal individual surtax from line 36 of Schedule 1 ..... = ..... 15  
 Net income \*\*\* .....

Federal surtax on income you earned outside Canada: Amount from line 13 of Form T2203, or 52% of the amount from line 26 of Schedule 1. If you paid business-income tax to more than one country, enter the proportion that applies to this country ... + ..... 16

Add line 15 and line 16 ..... = ..... 17

Enter the amount from line 9 ..... - ..... 18

Line 17 minus line 18 (if negative, enter "0") ..... = ..... 19

Enter the federal individual surtax from line 36 of Schedule 1 ..... = ..... 20

Enter the amount from line 13, if any ..... = ..... 20

Enter the amount from line 14, 19, or 20, whichever is the least ..... **Additional federal business foreign tax credit** ..... 21

Add line 13 and line 21. Enter the result on line 37 of Schedule 1 ..... **Additional federal foreign tax credit** ..... 22

If amount C in Part 3 of Form T691, *Calculation of Minimum Tax*, is more than the total amount on lines 10 and 22 for all T2209 forms, you cannot claim the additional foreign tax credit. Enter "0" on line 37 of Schedule 1.

\* **Non-business-income tax paid to a foreign country** (see Note 1) is the total income or profits taxes you paid to that country or to a political subdivision of the country for the year (excluding business-income tax), minus any part of these 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 these 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** (see Note 2) is the total non-business income you earned in the foreign country before deducting the foreign tax, minus allowable expenses and deductions relating to the foreign income (other than any deduction you claimed for 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 more than the net income, use the amount of the net income in the calculation.

\*\*\* **Net income** (see Note 3) is the amount on line 236 of your return (or, if you filed a Form T581 election, the amount on line 8 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 you claimed (line 253 of your return);
- capital gains deduction you 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** (see Note 5) is the amount on line 429 of Schedule 1 or line 12 of Form T2203, plus any:

- overseas employment tax credit (from Form T626 or line 8 of Form T2203);
  - dividend tax credit (line 425 of Schedule 1 or line 9 of Form T2203); and
  - federal surtax for income you earned outside Canada (from Schedule 1 or line 13 of Form T2203);
- and minus any:
- refundable Quebec abatement (line 35 of Form T2203); and
  - tax adjustments for CPP/QPP benefits for previous years (included on line 423 of Schedule 1 or line 5 of Form T2203).

† **Business-income tax paid to a foreign country** (see Note 1) is the total of business-income or profits taxes you paid to that country or to a political subdivision of the country for the year (see Note 4), 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** (see Note 2) is the total business income you earned in 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 more than the net income, use the amount of the net income in the calculation.

††† **Basic federal tax** (see Note 5) is the amount on line 429 of Schedule 1 or line 12 of Form T2203, plus any:

- overseas employment tax credit (from Form T626 or line 8 of Form T2203); and
  - dividend tax credit (line 425 of Schedule 1 or line 9 of Form T2203);
- and minus any:
- tax adjustments for CPP/QPP benefits for previous years (included on line 423 of Schedule 1 or line 5 of Form T2203).

#### Note 1

Any amount of tax paid to a foreign government in excess of the amount required to be paid, 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 Canada for part of the year, only include the income for the part of the year you were a resident of Canada.

#### Note 3

If you were a resident of Canada for part of the year, include the income for the part of the year you were a resident of Canada, and the taxable income you 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 you were not a resident of Canada.

#### Note 4

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

#### Note 5

If you were a resident of Quebec, **federal tax** or **basic federal tax** is the amount on line 429 of Schedule 1 or line 12 of Form T2203, plus any:

- overseas employment tax credit (from Form T626 or line 8 of Form T2203); and
- dividend tax credit (line 425 of Schedule 1 or line 9 of Form T2203);

and minus any:

- federal forward-averaging tax credit (line 13 of Form T581); and
- refundable Quebec abatement (line 440 of your return or line 37 of Form T2203).